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CERTAIN FISH AND CERTAIN SHELLFISH FROM CANADA

Determination of No Injury or
Likelihood Thereof in
Investigation No. 303-TA-9
Under Section 303 (b) of the
Tariff Act of 1930, as Amended,
Together With the Information
Obtained in the Investigation

USITC PUBLICATION 966

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United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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NEWS

FOR RELEASE
April 9, 1979

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USITC 79-034

USITC FINDS NO INJURY FROM IMPORTS OF FISH AND SHELLFISH FROM CANADA

The United States International Trade Commission today notified the Secretary of the Treasury that an industry in the United States is not being injured by reason of the importation of certain duty-free fish and certain duty-free shellfish from Canada, upon which the Treasury Department has determined a bounty or grant is being paid.

Chairman Joseph O. Parker, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Catherine Bedell, and Paula Stern made the unanimous determination.

The Commission's investigation was conducted under the U.S. countervailing duty law (sec. 303 of the Tariff Act of 1930, as amended), which provides for Commission investigations with respect to duty-free articles.

On January 9, 1979, the Commission received advice from the Secretary of the Treasury that a bounty or grant is being paid by the Government of Canada on certain fish and shellfish exported to the United States. The investigation resulted from a petition which was filed with the Treasury Department by the National Federation of Fishermen and the Point Judith Fishermen's Cooperative Association

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of Narragansett, R.I. The Commission's investigation was instituted on January 18, 1979, and a public hearing in connection with the investigation was held on February 27, 1979, in Washington, D.C.

The fish and shellfish covered by the investigation consisted of whole fish, such as cusk, haddock, hake, and pollock; fish blocks including those made of Atlantic ocean perch, haddock, and whiting; live lobsters; and scallops.

U.S. landings of cusk, haddock, hake, and pollock nearly doubled in quantity, rising from 42 million pounds, valued at $6.4 million, in 1974, to 75 million pounds, valued at $15.6 million, in 1977. During January-November 1978, landings of the four fish species in major New England ports increased by an additional 33 percent above the level of the corresponding period of 1977.

During 1974-77 and January-October 1978, Canada accounted for about 90 percent of total U.S. imports of whole cusk, haddock, hake, and pollock that entered the United States in fresh, chilled, or frozen form. Such U.S. imports from Canada declined irregularly from 8.0 million pounds in 1974 to 5.7 million pounds in 1977, and increased from 4.9 million pounds during January-October 1977 to 5.3 million pounds during the corresponding period of 1978.

The fish blocks imported from Canada under consideration in this investigation accounted for about 2 percent of U.S. consumption of fish blocks in 1977.

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U.S. landings of lobsters increased from 28.5 million pounds in 1974 to 31.7 million pounds in 1977. Virtually all the legal-sized lobsters available are caught each year. The number of individuals engaged in the lobster fishery increased from 11,508 to 14,736 in 1975, and subsequently decreased to 13,259 in 1976.

Imports of live American lobsters from Canada decreased from 15.0 million pounds in 1975 to 12.2 million pounds in 1978, and account for 33 to 35 percent of apparent U.S. consumption during 1974-77.

Imports of scallops from Canada increased from 12.1 million pounds in 1974 to 26.2 million pounds in 1977, and subsequently decreased to 24.3 million pounds in 1978. These imports accounted for about 45 to 50 percent of U.S. consumption during 1974-78.

In a related countervailing duty investigation, Certain Fish from Canada, No. 303-TA-3, completed in September 1978, the Commission determined unanimously that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being estatablished by reason of the importation of certain duty-free fish from Canada. The previous investigation involved fish and fish products which are not included in the present investigation.

The Commission's public report, Certain Fish and Certain Shellfish From Canada (USITC Publication 966), contains the views of the Commissioners in this investigation (No. 303-TA-9). Copies may be obtained by calling (202) 523-5178 or from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436.

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[303-TA-9]

CERTAIN FISH AND CERTAIN SHELLFISH FROM CANADA

Determination of No Injury or Likelihood Thereof

On the basis of information developed during the course of investigation No. 303-TA-9, undertaken by the United States International Trade Commission under section 303(b) of the Tariff Act of 1930, as amended, the Commission determines unanimously [1] that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of certain fish and certain shellfish from Canada, provided for in items 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520, and 114.4537 of the Tariff Schedules of the United States Annotated (TSUSA), which merchandise is accorded duty-free treatment, and upon which the Department of the Treasury has determined that a bounty or grant is being paid within the meaning of section 303 of the Tariff Act of 1930, as amended.

On January 9, 1979, the Commission received advice from the Department of the Treasury that a bounty or grant is being paid with respect to certain duty-free fish and certain duty-free shellfish imported from Canada that are entered under TSUSA items 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520, and 114.4537. Accordingly, the Commission, on January 18, 1979, instituted investigation No. 303-TA-9 under section 303(b) of the Tariff Act of 1930, as amended, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

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[1] Chairman Joseph O. Parker, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Catherine Bedell, and Paula Stern concurred in the negative determination.

Notice of institution of the investigation and public hearing was published in the Federal Register of January 24, 1979 (44 F.R. 5025). On February 27, 1979, a public hearing was held in Washington, D.C., at which any person interested in the proceeding was given the opportunity to appear by counsel or in person, to present information, and to be heard.

The Treasury investigation resulting in the countervailing duty determination was initiated as a result of a petition filed with Treasury on December 30, 1977, by the National Federation of Fishermen and the Point Judith Fishermen's Cooperative Association, Inc.

STATEMENT OF REASONS FOR CHAIRMAN JOSEPH O. PARKER, VICE CHAIRMAN BILL ALBERGER, AND COMMISSIONERS GEORGE M. MOORE CATHERINE BEDELL, AND PAULA STERN

On the basis of evidence developed during this investigation we determine that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established 1/, by reason of the importation of certain duty-free fish and certain duty-free shellfish from Canada provided for in items 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520, and 114.4537 of the TSUS, upon which Treasury has determined a bounty or grant is being paid within the meaning of section 303 of the Tariff Act of 1930, as amended.

The products under investigation and the relevant U.S. industry

The imported articles that are subject to this investigation are: (1) whole cusk, haddock, hake, and pollock, whether fresh, chilled, or frozen; (2) fish blocks made of Atlantic ocean perch, haddock, whiting, and other fish blocks except those made of cod, flatfish, or pollock; (3) live lobsters; and (4) scallops.

In this determination we consider the relevant U.S. industry to consist of those fishing boats and processing plants devoted to the catching or processing of the types of fish and shellfish described above.

Bounties and grants

Treasury has determined the net amount of bounties or grants to be 1.17 percent of the f.o.b. price for export to the United States for groundfish originating in the Atlantic regions of Canada, and 1.08 percent for shellfish originating in the Atlantic regions of Canada. Treasury has further determined that the shellfish and groundfish originating in the rest of Canada receive

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1/ Prevention of establishment is not an issue in this investigation and will not be addressed further in these views.

benefits that are legally de minimis; therefore the Commission's investigation has not addressed alleged injury due to imports of such merchandise from areas other than the Atlantic regions of Canada. Treasury has informed the Commission that should the Commission make an affirmative decision in this investigation, Treasury intends to waive countervailing duties.

No injury by reason of imports receiving bounties or grants

Certain whole fish.--U.S. landings of all four species of whole fish under investigation increased from 42 million pounds in 1974 to 75 million pounds in 1977, an increase of 80 percent. Landings in major New England ports further increased from 50 million pounds during the period January-November 1977 to 67 million pounds in the period January-November 1978, an increase of more than 33 percent. [1] U.S. landings as a share of total U.S. and Canadian landings increased from 28 percent of total landings in 1974 to 36 percent of total landings in 1977.

The ratio of imports from Canada of the species of fish under investigation to apparent U.S. consumption fell from 16 percent in 1974 to 7 percent in 1977. The ratio of U.S. production to apparent U.S. consumption increased from 83 percent in 1974 to 92 percent in 1977. In view of the sharp rise in New England landings during the first 11 months of 1978, this ratio has probably continued to increase in 1978.

With the increase in apparent U.S. consumption of the species of whole fish under investigation of more than 60 percent from 1974 to 1977, the average U.S. ex-vessel price increased 67 percent from $0.15 a pound in 1974 to $0.25 a pound in January-November 1978. During this period, cusk ex-vessel prices increased by 38 percent, white hake prices doubled, and pollock prices increased by 64 percent. In addition, red hake prices increased by 33 percent between 1974 and 1977. Despite the fact that the U.S. dollar has appreciated in relationship to the Canadian dollar, the Commission has no information that the prices for whole fish from Canada sold in the United States differ from those for U.S. whole fish.

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[1] Full year data of U.S. landings in 1978 are not yet available.

Certain fish blocks.--Since fresh fish command higher prices per pound than frozen fish, virtually all fish landed in the United States are sold fresh. Processors freeze fish into blocks only when here is a temporary oversupply of fresh fish on the market. Production of fish blocks represents a small portion of a U.S. processor's operations. Of 4.1 billion pounds of fish landed in the United States in 1977, only 4.6 million pounds, or 0.1 percent of U.S. landings, were frozen into blocks.

U.S. production of all types of fish blocks accounted for about 1 percent of U.S. consumption of fish blocks for the years 1974-77. U.S. imports from Canada of the fish blocks under investigation accounted for less than 2 percent of U.S. apparent consumption of all types of fish blocks in 1977.

Global Seafoods, an affiliate of the Point Judith Fishermen's Cooperative, one of the petitioners in this investigation, plans to begin fish block production in 1979. This cooperative was unable to supply the Commission with any information that imports of the blocks under investigation injure, or are likely to injure, its production of fish blocks.

Live American lobsters.--U.S. lobstermen catch virtually all the legal size lobsters available each year. This catch has increased from 28.5 million pounds in 1974 to 31.7 million pounds in 1977, representing an increase of 11 percent. Landings in major ports further increased by 3 percent in January-October 1978 when compared with the same period in 1977.

Since U.S. lobstermen catch virtually all of the legal sized lobsters available, imports from Canada help meet U.S. demand. These imports, however, have fallen from 15.0 million pounds in 1975 to 12.2 million pounds in 1978, a decrease of 19 percent. The ratio of imports from Canada to apparent U.S. consumption declined from 35 percent in 1975 to 33 percent in 1977.

Average ex-vessel prices of American lobsters increased from $1.52 a pound in 1974 to $2.27 a pound in 1978, an increase of 49 percent; and average yearly wholesale prices of 1-1/4 pound American lobsters in New York increased by 39 percent from 1974 to 1978. In addition, the Commission has no information that lobsters imported from Canada undersell U.S. lobsters. Imports from Canada are greatest during the winter season, thus minimizing the impact of these imports upon the U.S. lobstermen, who fish primarily in the summer and fall.

Scallops.--U.S. landings of sea scallops quadrupled in the past 5 years from 6.4 million pounds in 1974 to more than 25 million pounds in 1977. They increased an additional 23 percent from 20.4 million pounds in January-October 1977 to 25.1 million pounds in the first 10 months of 1978. The number of scallop dredges over 5 tons in New England more than tripled from 31 vessels in 1974 to 115 in 1979.

This rapid increase in vessels and landings has led to increased employment opportunities for the scallop fisherman. Salaries of deckhands on scallop vessels ranged from $20,000 to $40,000 in 1978, and vessel owners netted between $40,000 and $100,000. Information obtained in the Commission's investigation indicates earnings of the scallop fisherman have been at record levels.

With apparent annual U.S. consumption of sea scallops more than doubling in the past 5 years, average U.S. ex-vessel prices increased from $1.54 a pound in 1974 to $2.46 a pound in January-October 1978, an increase of 60 percent. Average ex-vessel prices have reached unprecedented highs in 1979, and have topped $3.65 a pound during some weeks.

Although imports of scallops from Canada increased from 12.1 million pounds in 1974 to 26.2 million pounds in 1977, they subsequently decreased to 24.3 million pounds in 1978, a decrease of more than 7 percent.

Canada's share of the U.S. scallop market has remained fairly steady in the past 5 years, ranging from 46 to 50 percent of apparent U.S. consumption.

No likelihood of injury

The advent of the 200-mile limit in 1977 dramatically expanded the area in which U.S. fishermen have exclusive rights to fish. The fishery management plans for haddock, red hake, pollock, American lobsters, and sea scallops initiated in conjunction with the establishment of the 200-mile limit will, for the first time, provide a comprehensive program for expanding U.S. production while at the same time conserving natural resources of sea food.

These plans project increasing harvests of haddock, hake, and lobster. Haddock, overfished in the mid-1960's, may soon recover to pre-1960's stock levels. Long term lobster production can be increased substantially by the implementation of several recommendations contained in the lobster management plan.

Conclusion

Based on the foregoing, it is our determination that a U.S. industry is not being injured and is not likely to be injured by reason of the importation of certain duty-free fish and shellfish from Canada which Treasury has determined are subject to countervailable bounties or grants.

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INFORMATION OBTAINED IN THE INVESTIGATION

Summary

On January 9, 1979, the United States International Trade Commission (Commission) received advice from the Department of the Treasury (Treasury) that a bounty or grant is being paid with respect to certain fish and certain shellfish from Canada which are accorded duty-free treatment. Accordingly, on January 18, 1979, the Commission instituted investigation No. 303-TA-9 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. The hearing for this investigation was held on February 27, 1979, in Washington, D.C.

In a related countervailing duty investigation, Certain Fish from Canada, 303-TA-3, conducted in 1978, the Commission determined unanimously that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of certain duty-free fish from Canada. This previous investigation involved fish and fish products which are not included in the present investigation.

Treasury has determined the net amount of Canadian bounties or grants to be 1.17 percent of the f.o.b. price for export to the United States for groundfish originating in the Atlantic regions of Canada, and 1.08 percent for shellfish originating in the Atlantic regions of Canada, despite petitioners' allegations that such benefits amount to as much as 12 percent of the export price of such articles. Treasury has further determined that the shellfish and groundfish originating in the rest of Canada receive benefits that are legally de minimis. Treasury has informed the Commission that should the Commission make an affirmative decision in this investigation, Treasury intends to waive countervailing duties.

At present the United States and Canada have no fishery treaty. A new treaty will be submitted to Congress for approval this spring.

Whole fish

U.S. landings of cusk, haddock, hake, and pollock nearly doubled in quantity, rising from 42 million pounds valued at $6.4 million in 1974 to 75 million pounds valued at $15.6 million in 1977. During January-November 1978, landings of the four fish species in major New England ports increased by an additional 33 percent above the level of the corresponding period of 1977. The unit value of landings also increased, rising by 40 percent between 1974 and 1977 and by an additional 9 percent between January-November 1977 and the corresponding period of 1978. In 1974 whole cusk, haddock, hake, and pollock accounted for only 15 percent of the product weight of U.S. commercial landings of all finfish on the New England coast, but by 1977 the four species of whole fish covered by this investigation accounted for over 25 percent of the product weight of such landings.

During 1974-77 and January-October 1978, Canada accounted for about 90 percent of total U.S. imports of whole cusk, haddock, hake, and pollock that entered the United States in fresh, chilled, or frozen form. Such U.S. imports from Canada declined irregularly from 8.0 million pounds in 1974 to 5.7 million pounds in 1977, and increased from 4.9 million pounds during January-October 1977 to 5.3 million pounds during the corresponding period of 1978.

The ratio of imports to consumption of whole cusk, haddock, hake, and pollock, in fresh, chilled, or frozen forms declined sharply throughout 1974-77, and in view of the sharp rise in U.S. landings during January-November 1978, this ratio probably continued to decline in 1978. The ratio of imports from all countries to apparent U.S. consumption fell from 17.5 percent in 1974 to 7.6 percent in 1977. At the same time the ratio of imports from Canada to apparent U.S. consumption fell from 15.9 percent in 1974 to 7.0 percent in 1977.

Fish blocks

U.S. production of fish blocks accounts for about 1 percent of U.S. fish block consumption. The fish blocks imported from Canada under consideration in this investigation accounted for less than 2 percent of U.S. consumption in 1977, and accounted for about 7 percent of all fish blocks imported from Canada in 1977. In investigation No. 303-TA-3, the Commission determined unanimously that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of cod blocks from Canada. These cod blocks accounted for 83 percent of the fish blocks imported from Canada in 1977. U.S. production of the fish blocks under consideration fell from 923,000 pounds in 1975 to 518,000 pounds in 1977, while total imports from all sources increased from 55 million pounds in 1974 to 67 million pounds in 1976 and 64 million pounds in 1977. Total imports from all sources accounted for over 90 percent of U.S. consumption in each of the years 1975-77, however imports from Canada--which ranged from 3.3 to 4.6 million pounds during the period--accounted for only 8 percent of U.S. consumption in 1975, 5 percent in 1976, and 7 percent in 1977.

Lobsters

The American lobster is one of the most important of the U.S. fishery resources, ranking first among the fisheries of the Northwest Atlantic seaboard. U.S. landings of lobsters increased from 28.5 million pounds in 1974 to 31.7 million pounds in 1977. Virtually all of the legal-sized lobsters available are caught each year. The number of individuals engaged in the lobster fishery increased from 11,508 in 1973 to 14,736 in 1974 but fell to 13,259 in 1976. The majority of lobstermen work part time, concentrating their effort during the summer months. Perhaps as many as 50 percent of the commercial lobstermen fish lobster for recreation and show no earnings or even losses.

Several States, in cooperation with the National Marine Fishery Service (NMFS), regulate the fishing of lobsters in order to preserve the lobster stocks.

Ninety percent of U.S. landed lobsters are marketed live. Imports of live American lobsters from Canada decreased from 15.0 million pounds in 1975 to 12.2 million pounds in 1978, and accounted for 33-35 percent of apparent U.S. consumption from 1974 to 1977. Yearly average ex-vessel prices in the United States have increased from $1.52 a pound in 1974 to $2.47 a pound in 1978, representing an increase of 62 percent.

Scallops

The U.S. scallop fishery ranked ninth in value among the U.S. Atlantic coastal fisheries in 1973. While scallop landings have more than quadrupled since 1974, rising from 6.4 million pounds in 1974 to 25.0 million pounds in 1977, ex-vessel prices have increased by 50 percent. Deckhands on scallop vessels earned $20,000 to $40,000 in 1978 and boatowners of such vessels earned $40,000 to $100,000 in 1978. The number of scallop vessels over 5 tons in the New England fleet has tripled since 1974.

Imports of scallops from Canada increased from 12.1 million pounds in 1974 to 26.2 million pounds in 1977, and subsequently decreased to 24.3 million pounds in 1978. These imports accounted for about 45 to 50 percent of U.S. consumption during 1974-78 and accounted for about 90 percent of Canadian landings during this period.

The scallop stocks off the Atlantic coast, according to the NMFS, are quickly becoming depleted. The excellent scallop harvest of the 1970's, the NMFS predicts, will soon deteriorate.

Most U.S. landed scallops are marketed and consumed fresh, while scallops imported from Canada are marketed frozen. Fresh scallops command a higher price in the marketplace.

Introduction

On January 9, 1979, the Commission received advice from Treasury that a bounty or grant is being paid with respect to certain fish and certain shellfish from Canada, entered under items 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520, and 114.4537 of the Tariff Schedules of the United States Annotated (TSUSA) and accorded duty-free treatment. [1] Accordingly, on January 18, 1979, the Commission instituted investigation No. 303-TA-9 under section 303(b) of the Tariff Act of 1930, as amended, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. The statute directs that the Commission report its determination to Treasury within 3 months of its receipt of Treasury's advice, or in this case by April 9, 1979.

Notice of the institution of the investigation and of a public hearing was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's Office in New York City, and by publishing the notice in the Federal Register of January 24, 1979 (44 F.R. 5025). [2] A public hearing was held on Tuesday, February 27, 1979, in Washington, D.C.

The complaint which led to Treasury's determination was filed by counsel representing the National Federation of Fishermen and the Point Judith Fishermen's Cooperative Association, Inc. Treasury's notice of investigation and preliminary determination was published in the Federal Register of July 10, 1978 (43 F.R. 29637). Treasury's final countervailing duty determination was published in the Federal Register of January 5, 1979 (44 F.R. 1372).

The fish and shellfish subject to Treasury's determination enter the United States duty free. Section 303(a)(2) of the Tariff Act of 1930, as amended, provides that countervailing duties may not be imposed upon any article of merchandise which is free of duty in the absence of a determination by the Commission that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such article of merchandise into the United States. Accordingly, Treasury advised the Commission of its determination on January 9, 1979. The liquidation of entries or withdrawals from warehouse, for consumption, of the subject fish and shellfish was suspended pending a determination by the Commission.

In an associated countervailing duty investigation, Certain Fish from Canada, investigation No. 303-TA-3, completed in September 1978, the Commission determined unanimously that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established by reason of the importation of certain duty-free fish from Canada upon which the Treasury had determined that a bounty or grant is being paid within the meaning of section 303 of the Tariff Act of 1930, as amended. The previous investigation involved certain types of fish and fish products which are not included in the present investigation. The petitioners in this investigation supported the complaint that resulted in the 1978 investigation.

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[1] Treasury's letter to the Commission is presented in app. A.

[2] A copy of the Commission's Federal Register notice of investigation and hearing is presented in app. B.

Description and Uses

The fish and shellfish included within the scope of this investigation are listed below:

- Whole fish: (TSUSA items 110.1593 and 110.1597)
  - Cusk
  - Haddock
  - Hake
  - Pollock
- Fish blocks:
  - Atlantic ocean perch (TSUSA item 110.4760)
  - Haddock (TSUSA item 110.4730)
  - Whiting (TSUSA item 110.4755)
  - Fish blocks other than Atlantic ocean perch, cod, flatfish, haddock, pollock, and whiting (TSUSA item 110.4765)
- Live lobsters (TSUSA item 114.4520)
- Scallops (TSUSA item 114.4537)

The whole fish covered in this investigation may have their heads, viscera, fins, or any combination thereof removed, but may not be otherwise processed. The whole fish enter fresh, chilled, or frozen. Fish blocks are skinless and boneless fish meat, whether or not divided into pieces, which are frozen into blocks each weighing over 10 pounds, and are imported to be minced, ground, or cut into pieces of uniform weights and dimensions. The scallops may be live, fresh, chilled, frozen, prepared, or preserved.

U.S. Tariff Treatment

The whole fish under consideration in this investigation are dutiable under the provisions of item 110.15 of the Tariff Schedules of the United States (TSUS). The column 1 (most-favored-nation) imports of this item have entered duty-free since 1971, when the final stages of the concessions granted in the Kennedy round of trade negotiations became effective. The column 2 rate of duty is 2 cents per pound.

Fish blocks are dutiable under the provisions of item 110.47 of the TSUS. Since 1972 fish blocks have been imported duty free from countries with most-favored-nation status. The column 2 rate of duty is 1.25 cents per pound.

Shellfish are dutiable under the provisions of item 114.45 and have entered duty-free from all countries since 1930.

Bounties and Grants

Treasury has determined that the Government of Canada grants three types of export incentives to Canadian fishermen and fish processors which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended. These are described below:

1. Cash payments to fishermen for the financing of vessel construction of up to 35 percent of the approved capital cost of vessels between 35 and 75 feet in length. Assistance is available from different sources for vessels over 75 feet in length for up to 20 percent of the approved capital cost of the vessel.

2. Grants provided by the Department of Regional Economic Assistance, DREE, to the Province of Newfoundland whereby DREE and the Provincial Authorities share the capital cost for (a) the augmentation of water supply systems to several coastal communities in Newfoundland, and (b) the construction of wharfs, service center buildings, storage areas, and supply and installation of travelift and synchrolift equipment at Marine Service Centers. These benefits are received by all Atlantic fishermen. In addition, DREE has provided funds for the construction and improvement of groundfish processing plants in the Atlantic regions of Canada.

3. Assistance in the form of low-cost loans by the Nova Scotia Fishermen's Loan Board and the New Brunswick Fishermen's Loan Board.

Although the petitioner has alleged that Canadian bounties and grants are equivalent to as much as 12 percent of the Canadian export price of the fish under consideration, 1/ Treasury has determined the net amount of countervailable bounties or grants to be 1.17 percent of the f.o.b. price for export to the United States for groundfish, including groundfish blocks, originating in the Atlantic regions of Canada (i.e., Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, and Quebec); and 1.08 percent for shellfish originating in the Atlantic regions of Canada. Treasury has further determined that bounties or grants equivalent to 0.38 percent of the f.o.b. price for shellfish and groundfish originating from areas other than the Atlantic regions of Canada are legally de minimis; therefore, no countervailing duties will be assessed on imports of these products.

Treasury to Waive Countervailing Duties

At present, all imports of the fish and shellfish under consideration in this investigation would be subject to countervailing duties if the Commission should make an affirmative decision in this case. However, section 303(b) of the Tariff Act of 1930, as amended, authorizes the Secretary of the Treasury to waive the imposition of countervailing duties if he determines that:

1/ See transcript of public hearing, p 22.

(1) adequate steps have been taken to reduce substantially or eliminate the adverse effect of a bounty or grant; (2) there is a reasonable prospect that under section 102 of the Trade Act successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and (3) the imposition of the additional duty would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, Treasury has stated that it would consider it appropriate to waive countervailing duties under section 303(d) of the Act should the determination of the Commission be affirmative. According to Treasury, the Government of Canada is committed to reduce substantially the adverse effects of the bounty or grant. Treasury has determined that, effective October 1, 1978, Canadian bounties and grants applicable to fish and fish products prior to that time were almost entirely eliminated, leaving only the 0.38 to 1.17 percent countervailable subsidies upon which Treasury made its countervailing duty determination.

In addition, Treasury has determined that there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and that the imposition of countervailing duties on dutiable groundfish from Canada would be likely to seriously jeopardize the satisfactory completion of such negotiations.

However, should the Commission make an affirmative determination in this investigation and the conditions that made it appropriate for Treasury to announce its intention to grant a waiver cease to exist, Treasury would be required to revoke its waiver and impose countervailing duties.

The Department of the Treasury's authority to waive the assessment and collection of countervailing duties, provided for under section 303 of the Tariff Act of 1930, as amended by the Trade Act of 1974, expired on January 3, 1979. Because of Treasury's expectation that legislation extending the waiver authority retroactive to January 3, 1979, would be enacted by the current session of Congress, Treasury published in the Federal Register of January 2, 1979, a notice that liquidation of entries of merchandise subject to waivers is to be suspended until further notice, and that, in lieu of requiring the deposit of estimated countervailing duties, the posting of bonds or irrevocable letters of credit in an amount sufficient to cover potential liability for countervailing duties would be considered sufficient to meet the obligations of the Secretary of the Treasury to protect the revenue. As anticipated, on March 1, 1979 and March 29, 1979, the House and the Senate, respectively passed legislation restoring Treasury's authority to waive collection of countervailing duties. This legislation will become law upon Presidential approval.

U.S.-Canadian Fishery Agreements

The harvesting of fish and shellfish off the Northeastern United States was, until January 1, 1977, regulated under the terms of the International Commission for the Northwest Atlantic Fisheries (ICNAF) and subsequent agreements between the 18 signatory nations. Canada and the United States were among the signatory nations. The Fishery Conservation and Management Act of 1976 (Public Law 94-265), enacted and signed into law on April 13, 1976, established an extended jurisdiction fishing zone and exclusive U.S. regulation of this zone. On March 1, 1977, the 200-mile extended jurisdiction fishing zone, as established by this act, became effective. On January 1, 1977, a similar 200-mile limit had been established by Canada.

In 1977, an interim fishery agreement provided for reciprocal U.S. and Canadian fishing rights within the newly established 200-mile fishing zones. Since June 1978, when this agreement expired, Canada has banned American fishermen from its Atlantic waters; and the United States has similarly expelled Canadians from U.S. Atlantic waters.

Negotiations for a new 10 year Canadian-U.S. accord on fishing rights off the northeast coast have nearly been concluded. Officials at the U.S. Department of State have informed the Commission's staff that the proposed treaty will be submitted to Congress for approval sometime this spring. This accord is expected to establish quotas for the following species which are the subject of the instant investigation: haddock, hake, pollock, scallops, and lobsters. It will also set quotas for types of fish not covered by this investigation, such as cod.

Canadian-U.S. Dollar Exchange Rates

Between 1973 and 1976 the U.S. dollar could buy between .98 to 1.02 Canadian dollars. Beginning in 1977 the value of the dollar has steadily increased when compared with the Canadian dollar. By the fourth quarter of 1978 the U.S. dollar could buy 1.18 Canadian dollars, representing an increase in the value of U.S. dollars of 15 percent since the first quarter of 1977.

Government Benefits Available to U.S. Fishermen

In connection with the fishing industry, it is interesting to note a number of government sponsored benefits that are available. Those benefits available to all fishermen include:

1. Free medical care is offered to fishermen by the U.S. Public Health Service, except in Maine;

2. Certain special Federal income tax deferments are available to fishermen;

3. The U.S. Fishing Vessel Obligation Guarantee Program provides financing up to 87-1/2 percent of the cost of constructing, reconstructing, or reconditioning fishing vessels. Generally, interest rates to purchase a $350,000 vessel in this program are 2 percent less than commercially available rates; and

4. The Jones Act prohibits foreign fishing vessels from landing fish in U.S. ports.

In addition, certain government benefits are available locally. Since 1966, the city of New Bedford, the main U.S. scalloping port, for example, has spent $100 million dollars on the renovation of its waterfront.

The Economic Development Administration (EDA) of the Department of Commerce granted the Massachusetts Port Authority (Massport) $2 million in September 1978 to rehabilite the Boston Fish Pier, repair the bulkhead, and improve two buildings housing processors and one building housing the fish exchange. Massport is in the process of applying to EDA for an additional $4.8 million for continuation of utilities upgrading and interior renovation.

The current Maine legislature is attempting to put a $10 million bond issue on the fall 1979 ballot. The proceeds would be used for rehabilitation and renovation of public fish piers in six ports primarily to benefit fishermen. An additional $9 million has been requested from EDA, and $1.6 million from the city of Portland.

Maine feels that government subsidies to Canadian fishermen as well as to southern New England fishermen has contributed to the demise of the Maine fishing industry. In July 1978, the Maine Department of Transportation wrote in its proposal for an EDA grant that—

> Subsidized development of pier and on-shore facilities in major Southern New England fishing ports has also had an impact on the current economic circumstances of Maine's fisheries. Government funding support of the Boston Fish Pier, the Gloucester Pier, and the waterfront facilities in New Bedford and Point Judith (R.I.) has strengthened the relative economic position of the fishing industry in those areas and acted as a necessary catalyst to private initiative in fisheries development. The lack of similar facilities in Maine, backed with funding from the public sector, has contributed substantially to the deterioration of the local fishing industry.

Worker Adjustment Assistance

In 1978, the Department of Labor reviewed petitions by fishermen and former fishermen of 19 New England scallop and groundfish vessels for certification of eligibility to apply for worker adjustment assistance as prescribed in section 222 of the Trade Act of 1974. The crews of six of these vessels, all operating from Provincetown, Mass., were granted eligibility to apply for adjustment assistance, because Labor determined that imports from Canada contributed importantly to unemployment and underemployment of these crews.

The crews of four of the vessels granted eligibility fished primarily for cod, a species of fish not under consideration in this investigation. One vessel granted eligibility fished for scallops, and one vessel fished for both cod and scallops. Of the 13 vessels denied eligibility, 11 fished for groundfish and 2 fished for groundfish and scallops.

[redacted]

Whole Fish

U.S. fishermen and the U.S. fishing fleet

The groundfish fleet is the most important of the east coast commercial fleets in numbers of vessels and fishermen. According to the New England Fishery Management Council, over 75 percent of the value of the whole fish under investigation are harvested by otter trawl. The following tabulation shows the number of vessels using otter trawl as principal gear in New England increased unevenly from 552 vessels in 1974 to 558 vessels in 1977.

	Vessels in the New England otter trawl fleet over 5 tons
1974	552
1975	557
1976	565
1977	558

In 1978, salaries of deckhands on finfish vessels, as reported to the Commission, varied from $12,000 to $18,000 a year on smaller vessels and $20,000 to $40,000 a year on larger vessels. A captain-owner of a smaller vessel netted about $25,000 a year, and the captain-owner of a larger vessel netted $40,000 to $70,000.

According to wage data compiled by the Maine Department of Manpower Affairs, the average wage of a fisherman on a finfish vessel increased from $2,434 in April-June 1974 to $3,959 in April-June 1977, representing an increase of 63 percent (table 1). The Department of Manpower, however, has informed the Commission that the wage figures might be understated because of tax evasion on the part of the fishermen. The U.S. Internal Revenue Service has conducted numerous investigations to uncover such alleged evasions.

Table 1.--Covered employment and wage data in commercial finfish vessels (SIC 0912), State of Maine, in April-June 1974-78

Period	Vessels	Average employment	Total wages	Average wages
	Number	Number		Per worker
April-June--				
1974	73	169	$411,349	$2,434
1975	72	140	316,007	2,257
1976	85	181	559,423	3,091
1977	75	135	534,444	3,959
1978 1/	48	121	559,821	4,627

1/ Effective July 11, 1977, the Maine Employment Security Law was amended to exclude services performed by an individual on a boat of 10 net tons or less engaged in catching fish or other forms of aquatic animal life under an arrangement with the owner or operator of such boat pursuant to which:

(a) Such individual does not receive any cash remuneration, other than is prescribed in (b);

(b) Such individual receives a share of the boat's or boats' catch or a share of the proceeds from the sale of such catch; and

(c) The amount of such individual's share depends on the amount of the boat's or boats' catch, but only if the operating crew of such boat, or each boat from which the individual receives a share in the case of a fishing operation involving more than one boat, is normally made up of fewer than 7 individuals.

Source: Division of Employment Security, Maine Department of Manpower Affairs.

U.S. production

U.S. landings of cusk, haddock, hake, and pollock nearly doubled in quantity, rising from 42 million pounds valued at $6.4 million in 1974 to 75 million pounds valued at $15.6 million in 1977. During January-November 1978, landings of the four fish species in major New England ports increased by an additional 33 percent above the level of the corresponding period of 1977. The unit value of landings also increased, rising by 40 percent between 1974 and 1977 and by an additional 9 percent between January-November 1977 and the corresponding period of 1978, as shown in table 2.

Table 2.--Cusk, haddock, hake, and pollock: U.S. landings, 1974-77, January-November 1977, and January-November 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	41,862	6,426	15
1975	51,504	9,292	18
1976	54,029	10,930	20
1977	75,402	15,612	21
January-November--			
1977 1/	50,018	11,573	23
1978 1/	66,666	16,600	25

1/ New England only, but does not include landings of red hake. In 1977 red hake accounted for only 5.1 percent of the quantity and 2.2 percent of the value of U.S. landings of cusk, haddock, hake, and pollock combined.

Source: Compiled from official statistics of the U.S. Department of Commerce.

In 1974, whole cusk, haddock, hake, and pollock accounted for only 15 percent of the product weight of U.S. commercial landings of all finfish on the New England coast, but by 1977 the four species of whole fish covered by this investigation accounted for over 25 percent of the product weight of such landings. The increase in the proportion of landings accounted for by the fish covered in this investigation is accounted for in part by severe Federal limitations on overall catches of cod, the most important groundfish caught in the Atlantic region. Of the whole fish under consideration, cusk, hake, and pollock have all declined in importance since 1974. Haddock, however, has increased its share of the total groundfish landings, in large part because of expanded haddock quotas. In 1974, pollock was the most important of the whole fish under consideration, and accounted for 47 percent of the total landings of the four species under consideration; hake accounted for 26 percent; haddock 20 percent; and cusk 7 percent of the total. By 1977, pollock and haddock accounted for 39 and 38 percent of the total, respectively; hake accounted for 20 percent, and cusk accounted for 4 percent of the landings of the four species combined. Data on U.S. production, by type of fish follow.

U.S. landings of cusk declined unevenly from 3 million pounds in 1974 to 2.7 million pounds in 1977. During January-November 1978, cusk landings were 22 percent higher than during the corresponding period of 1977. Average unit ex-vessel values of cusk increased by nearly 40 percent between 1974 and 1978 (table 3).

[redacted]

Table 3.--Cusk: U.S. landings, 1974-77, January-November 1977, and January-November 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	2,956	398	13
1975	3,104	434	14
1976	2,831	504	18
1977	2,728	462	17
January-November--			
1977 1/	1,924	333	17
1978 1/	2,347	426	18

1/ New England only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Haddock landings increased unevenly from 8.2 million pounds in 1974 to 28.4 million pounds in 1977, representing an increase of nearly 250 percent. New England landings further increased nearly 50 percent in January-November 1978, when compared with the corresponding period in 1977. The increase in haddock landings can be attributed in part to the increase in haddock quotas from 1974 to 1978. Average unit ex-vessel values declined unevenly from 37 cents per pound in 1974 to 32 cents per pound in 1978 (table 4). A fishery management plan for haddock was announced by Commerce and published in the Federal Register (42. F.R. 13998) of March 14, 1977.

Table 4.--Haddock: U.S. landings, 1974-77, January-November 1977, and January-November 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	8,226	3,024	37
1975	16,222	5,327	33
1976	12,761	5,551	44
1977	28,430	9,270	33
January-November--			
1977 1/	23,699	7,640	32
1978 1/	34,760	10,963	32

1/ New England only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Two species of hake, red and white, are caught off the east coast of the United States. U.S. landings of red hake increased from 2.6 million pounds in 1974 to 5.0 million pounds in 1976 and subsequently decreased to 3.9 million pounds in 1977. The average unit ex-vessel value of red hake increased from 6 cents a pound in 1974 to 9 cents a pound in 1977, representing an increase of 50 percent (table 5). A red hake fishery management plan was announced by Commerce and published in the Federal Register (42 F.R. 10146) of February 18, 1977.

Table 5.--Red hake: U.S. landings, 1974-77

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	2,632	155	6
1975	3,052	215	7
1976	4,972	417	8
1977	3,866	349	9

Source: Compiled from official statistics of the U.S. Department of Commerce.

White hake landings increased from 8.4 million pounds in 1974 to 10.9 million pounds in 1977. The New England white hake catch declined from 6 million pounds during January-November 1977 to 5.8 million pounds in the corresponding period in 1978. The average unit ex-vessel value of white hake doubled from 9 cents per pound in 1974 to 18 cents per pound in 1978 (table 6).

Table 6.--White hake: U.S. landings, 1974-77, January-November 1977, and January-November 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	8,397	771	9
1975	8,150	824	10
1976	9,081	1,208	13
1977	10,894	1,394	13
January-November—			
1977 1/	6,038	880	15
1978 1/	5,795	1,039	18

1/ New England only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The Atlantic and Pacific pollock are two separate and distinct species. Since Treasury has determined that only processors and fishermen of pollock from the Atlantic Provinces of Canada receive countervailable bounties or grants, this discussion focuses on Atlantic pollock. U.S. landings of Atlantic pollock increased from 19.7 million pounds in 1974 to 29.5 million pounds in 1977. New England landings further increased from 18.4 million pounds in January-November 1977 to 23.8 million pounds in the corresponding period of 1978. The average unit ex-vessel value increased 64 percent from 11 cents per pound in 1974 to 18 cents per pound in 1978 (table 7). An Atlantic pollock fishery management plan is in the process of being drafted by the New England Fishery Management Council.

Table 7.—Atlantic pollock: U.S. landings, 1974-77, January-November 1977, and January-November 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Cents per pound
1974	19,651	2,078	11
1975	20,976	2,492	12
1976	24,384	3,250	13
1977	29,484	4,137	14
January-November—			
1977 1/	18,357	2,720	15
1978 1/	23,764	4,172	18

1/ New England only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fish processors

Fish processors purchase fish from both domestic and foreign sources. Workers in unionized firms in Boston are guaranteed 40 hours of work per week at $11.25 an hour whether or not they work the full 40 hours. Fish processors have told the Commission that the fishery quotas which have recently been implemented have resulted in a boom-bust cycle of U.S. landings. In some cases a monthly U.S. fishery quota might be filled in 2 weeks. As a result, processors more and more prefer a steady supply of fish imported from Canada, because landings of domestic fish cannot meet U.S. demand or keep the processing factories operating full time.

All fishing boats in Canada and the United States are owned by citizens of their respective countries. Some fish processing firms, however, are multinational. O'Donnel-Usen and Gortons, for example, have invested in fish processing operations in both countries. A few Maine dealers have reported that they export fish to unrelated Canadian firms for further processing, and then reimport the finished product for final sale in the United States.

Several new fish processing plants have been constructed in the past couple of years in New England. In New Bedford, city officials expect one new plant to open within the year.

Of 54 New England fish processors that responded to a survey conducted by Susan Peterson and Leah Smith in 1978, 1/ 35 planned to expand. Eighteen want to build new processing plants, including seven that want to build fish block processing plants, three want to expand current fish block processing capacity; seven to buy fishing boats, fourteen to improve their distribution system, nine to buy retail outlets, and five to open restaurants.

Canadian landings

Canadian landings of cusk, haddock, hake, and pollock increased irregularly from 109 million pounds in 1974 to 133 million pounds in 1977, or by 23 percent. Such landings increased an additional 42 percent in January-September 1978, when compared with the corresponding period of 1977 (table 8).

Table 8.—Cusk, haddock, hake, and pollock: Canadian landings, 1/ 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value 2/	Unit value 2/
	1,000 pounds	1,000 dollars	Cents per pound
1974	108,673	11,760	11
1975	141,329	13,499	10
1976	124,253	13,888	11
1977	133,272	16,521	12
January-September—			
1977	84,983	10,762	13
1978	120,591	16,263	13

1/ The Atlantic Provinces accounted for all Canadian landings.
2/ Canadian dollars.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

The U.S. share of total U.S. and Canadian landings of the fish under consideration has increased significantly since 1974. From 28 percent of the combined landings in 1974, the U.S. share of the total had increased to 36 percent of the combined landings in 1977, as shown in table 9.

1/ Susan Peterson and Leah Smith, New England Fishing, Processing, and Distribution, National Oceanographic and Atmospheric Administration contract No. 03-6-043-35165, December 1978.

Table 9.--Cusk, haddock, hake, and pollock: U.S. and Canadian landings, 1974-77

Year	U.S. landings	Canadian landings	Total U.S. and Canadian landings	U.S. landings as a share of total U.S. and Canadian landings
	1,000 pounds			Percent
1974	41,862	108,673	150,535	27.8
1975	51,504	141,329	192,833	26.7
1976	54,029	124,253	178,282	30.3
1977	75,402	133,272	208,674	36.1

Source: Compiled from data presented in tables 2 and 8 of this report.

Canadian landings of cusk declined from 10.4 million pounds in 1974 to 7.2 million pounds in 1977 (table 10).

Table 10.--Cusk: Canadian landings, 1/ 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value 2/	Unit value 2/
	1,000 pounds	1,000 dollars	Cents per pound
1974	10,391	890	9
1975	12,197	878	7
1976	7,094	662	9
1977	7,238	732	10
January-September--			
1977	5,000	503	10
1978	7,632	897	12

1/ The Atlantic Provinces accounted for all Canadian landings.
2/ Canadian dollars.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Canada's haddock landings more than doubled from 27.2 million pounds in 1974 to 55.8 million pounds in 1977. Landings during the period January-

September 1978 increased by 50 percent, when compared with the corresponding period in 1977 (table 11).

Table 11.—Haddock: Canadian landings, 1/ 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value 2/	Unit value 2/
	1,000 pounds	1,000 dollars	Cents per pound
1974	27,151	5,736	21
1975	42,859	7,118	17
1976	42,602	8,143	19
1977	55,802	10,561	19
January-September—			
1977	37,432	7,189	19
1978	55,878	10,888	19

1/ The Atlantic Provinces accounted for all Canadian landings.
2/ Canadian dollars.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Canadian landings of hake declined unevenly from 24.9 million pounds in 1974 to 22.5 million pounds in 1977 (table 12).

Table 12.—Hake: Canadian landings, 1/ 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value 2/	Unit value 2/
	1,000 pounds	1,000 dollars	Cents per pound
1974	24,916	1,883	8
1975	27,538	1,848	7
1976	23,324	1,721	7
1977	22,518	1,815	8
January-September—			
1977	14,173	1,158	8
1978	14,323	1,240	9

1/ The Atlantic Provinces accounted for all Canadian landings.
2/ Canadian dollars.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Canadian landings of pollock increased from 46.2 million pounds in 1974 to 58.7 million pounds in 1975 and subsequently declined to 47.7 million pounds in 1977. Canadian pollock landings increased by more than 50 percent during the period January-September 1978 when compared with the corresponding period of 1977 (table 13).

Table 13.—Pollock: Canadian landings, 1/ 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value 2/	Unit value 2/
	1,000 pounds	1,000 dollars	Cents per pound
1974	46,215	3,251	7
1975	58,735	3,655	6
1976	51,233	3,362	7
1977	47,714	3,413	7
January-September—			
1977	28,378	1,912	7
1978	42,758	3,238	8

1/ The Atlantic Provinces only. 2/ Canadian dollars.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Since 1974, the U.S. fishing fleet has increased its share of the combined U.S.-Canadian catches of each of the four types of fish covered by this investigation. The share of the combined haddock catch accounted for by the U.S. catch in 1977 was 45 percent more than the share achieved in 1974 and the U.S. shares of the hake, pollock, and cusk catches were up by 29 percent, 28 percent, and 24 percent, respectively, as shown in table 14.

Table 14.—Cusk, haddock, hake, and pollock: U.S. share of combined U.S. and Canadian landings, by types of fish, 1974-77

(In percent)

Year	Cusk	Haddock	Hake	Pollock	Total
1974	22.1	23.3	30.7	29.8	27.8
1975	20.3	27.5	28.9	26.3	26.7
1976	28.5	23.0	37.6	32.2	30.3
1977	27.4	33.8	39.6	38.2	36.1

Source: Compiled from data presented in tables 3-7 and 9-13 of this report.

U.S. imports

During 1974-77 and January-October 1978, Canada accounted for about 90 percent of total U.S. imports of whole cusk, haddock, hake, and pollock that entered the United States in fresh, chilled, or frozen form. As shown in table 15, such U.S. imports from Canada declined irregularly from 8.0 million pounds in 1974 to 5.7 million pounds in 1977, and increased from 4.9 million pounds during January-October 1977 to 5.3 million pounds during the corresponding period of 1978. As shown in tables 16 and 17, imports of fresh or chilled cusk, haddock, hake, and pollock account for virtually all of the imports of fresh, chilled, or frozen fish under consideration. Canada accounts for only a small percentage of the imports of the frozen whole fish under consideration.

The ratio of imports to consumption of whole cusk, haddock, hake, and pollock, in fresh, chilled, or frozen form declined sharply throughout 1974-77, and in view of the sharp rise in U.S. landings during January-November 1978, this ratio probably continued to decline in 1978. The ratio of imports from all countries to apparent U.S. consumption fell from 17.5 percent in 1974 to 7.6 percent in 1977. At the same time the ratio of imports from Canada to apparent U.S. consumption fell from 15.9 percent in 1974 to 7.0 percent in 1977, as shown in table 18.

According to a report prepared by Professor Joel Dirlam of the University of Rhode Island, the domestic groundfish industry has undoubtedly declined sharply since 1950 1/ when measured by number of vessels and full-time fishermen and by tonnage landed. However, according to Professor Dirlam, there is little or nothing to show that imports from Canada of fresh or frozen groundfish have been responsible for the reduction in landings of any species, or the exit of vessels or fishermen from the industry. Dirlam claims that imports may have been responsible for lower ex-vessel prices, thereby depressing the earnings of fishermen. He doubts, however, whether even the complete exclusion of Canadian groundfish would have substantially reversed the trends.

According to Dirlam, a review of the historic swings in U.S. landings of the principal groundfish species discloses little impact by Canadian imports. Limits upon U.S. landings in recent years, Dirlam concludes, have not been set by price, but by ICNAF, and new NMFS regulations which are necessary because the major groundfish species are in a severely depleted state apparently resulting from overfishing. The Massachusetts Coastal Zone Management Program reports that the 200 mile limit should enable the U.S. fishing industry to return to 1960 levels of production.

1/ Report by Joel B. Dirlam entitled Canadian Trade Practices and Policies Relative to Fish Commodities, U.S. Department of Commerce contract, No. 7-35365, July 1978.

Table 15.--Cusk, haddock, hake, and pollock, fresh, chilled, or frozen, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA items 110.1593 and 110.1597): U.S. imports for consumption, by principal sources, 1974-77, January-October 1977, and January-October 1978

Source	1974	1975	1976	1977	January-October--	
					1977	1978
	Quantity (1,000 pounds product weight)					
Canada	8,044	7,072	7,909	5,729	4,909	5,317
All other	807	613	1,000	467	408	746
Total	8,851	7,685	8,909	6,196	5,317	6,063
	Value (1,000 dollars)					
Canada	3,293	2,897	3,370	2,530	2,160	2,158
All other	192	152	406	167	123	360
Total	3,485	3,049	3,776	2,697	2,283	2,518
	Unit value (cents per pound)					
Canada	41	41	43	44	44	41
All other	24	25	41	36	30	48
Total	39	40	42	44	43	42

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 16.--Cusk, haddock, hake, and pollock, fresh or chilled, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1593): U.S. imports for consumption, by principal sources, 1974-77, January-October 1977, and January-October 1978

Source	1974	1975	1976	1977	January-October--	
					1977	1978
	Quantity (1,000 pounds product weight)					
Canada	7,944	6,814	7,909	5,649	4,886	5,276
All other	38	4	1	1	1	1/
Total	7,982	6,818	7,910	5,650	4,887	5,276
	Value (1,000 dollars)					
Canada	3,263	2,833	3,370	2,480	2,152	2,144
All other	17	1	1	1	1	1/
Total	3,280	2,834	3,371	2,481	2,153	2,144
	Unit value (cents per pound)					
Canada	41	42	43	44	44	41
All other	45	20	91	129	129	112
Average	41	42	43	44	44	41

1/ Less than 500 pounds or $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 17.--Cusk, haddock, hake, and pollock, frozen, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1597): U.S. imports for consumption, by principal sources, 1974-77, January-October 1977, and January-October 1978

Source	1974	1975	1976	1977	January-October--	
					1977	1978
	Quantity (1,000 pounds product weight)					
Canada	100	258	0	80	23	41
Chile	0	0	0	0	0	221
Republic of Korea	34	96	500	226	204	435
Poland	0	0	0	36	0	0
Republic of South Africa	55	68	0	19	19	46
U.S.S.R	0	0	0	93	93	0
United Kingdom	0	26	190	0	0	32
All other	680	419	309	92	91	11
Total	869	867	999	546	430	786
	Value (1,000 dollars)					
Canada	30	64	0	50	8	14
Chile	0	0	0	0	0	44
Republic of Korea	5	16	127	46	41	257
Poland	0	0	0	38	0	0
Republic of South Africa	22	28	0	12	12	13
U.S.S.R	0	0	0	22	22	0
United Kingdom	0	12	146	0	0	32
All other	148	95	132	48	47	14
Total	205	215	405	216	130	374
	Unit value (cents per pound)					
Canada	30	25	-	63	35	34
Chile	-	-	-	-	-	20
Republic of Korea	15	17	25	20	20	59
Poland	-	-	-	106	-	-
Republic of South Africa	40	41	-	63	63	28
U.S.S.R	-	-	-	24	24	-
United Kingdom	-	46	77	-	-	100
All other	22	23	43	52	52	127
Average	24	25	41	40	30	48

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 18.—Whole cusk, haddock, hake, and pollock, fresh, chilled, or frozen: U.S. landings, U.S. imports for consumption, and apparent consumption, 1974-77

Year	U.S. landings	U.S. imports			Apparent consumption	Ratio to apparent consumption of U.S. imports from--		
		From Canada	All other	Total		Canada	All other sources	All sources
	1,000 pounds					Percent		
1974	41,862	8,044	807	8,851	50,713	15.9	1.6	17.5
1975	51,504	7,072	613	7,685	59,189	11.9	1.0	13.0
1976	54,029	7,909	1,000	8,909	62,938	12.6	1.6	14.2
1977	75,402	5,729	467	6,196	81,598	7.0	.6	7.6

Source: Compiled from data presented in tables 2 and 15 of this report.

Note.—Exports of the products covered by this table are nil or negligible.

Fish Blocks

Processors of the various species of fish which are under consideration in this investigation can market fish fresh, frozen, dried, smoked, kippered, or further processed. Most of the fish landed in the United States subject to this investigation are sold fresh. In general, fresh fish commands the highest price. Processors freeze fish only when there is an oversupply of fresh fish on the market.

Fish can be frozen whole, in fillets, in steaks, and in blocks. Of 4.1 billion pounds of fish landed in the United States in 1977, only 4.6 million pounds were frozen into blocks.

Five or six U.S. fish processors produce salt-water fish blocks as a small portion of their total production. The NMFS has no record of any U.S. production of fresh-water fish blocks. U.S.-produced fish blocks account for less than 1 percent of U.S. consumption. Although the U.S. block producers were unable to supply the Commission with employment, profit and loss, pricing, or other data for their fish block operations, they did inform the Commission that they are unable to compete with imported fish blocks. Global Seafoods, an affiliate of the Point Judith Fishermen's Cooperative, one of the petitioners before Treasury in this investigation, however, plans to begin fish block production later in 1979. According to a study prepared for the NMFS, 1/ existing market conditions indicate that U.S. fish processors could produce 6 million pounds of whiting blocks a year at prices competitive with imports.

Whitefish blocks of any salt-water fish can be used to make sticks and portions. To the processor, considerations of color, texture, and sanitation aside, all fish blocks are fungible. It is virtually impossible to identify the species of fish in sticks and portions.

1/ Earl R. Combs, Inc., Venture Analysis and Feasibility Study Relating to Whiting and Atlantic Mackerel, for the New England Fisheries Development Program and the NMFS Northeast Region, contract No. 03-7-073-35121, December 1977.

Salt-water fish blocks are consumed by five major U.S. producers of fish sticks and fish portions which account for about 80 percent of U.S. stick and portion production and by at least 30 small processors. Ninety-five percent of the fish stick production is consumed by individual households; over 60 percent of the fish portions are consumed by institutions. Fresh-water fish blocks are used primarily to make fish balls.

The fish blocks under investigation

This investigation covers only blocks of haddock, whiting, Atlantic ocean perch, and blocks of other fish, except cod, flatfish, and pollock.

Fish blocks made of haddock are reported to be relatively high in quality resulting in high demand and high prices. Blocks of whiting are often parasite ridden and have a short shelf life; their price, as a result, is generally low.

The fish blocks covered by this investigation must be made from fish which are skinned and boned. However, Canada exports most of its frozen blocks of Atlantic ocean perch with the skin on; thus, these blocks are generally classified as other fish products, under TSUS items 113.58 or 113.60. Although the skin is not a great detraction in the quality of the block, purchasers definitely prefer skinless blocks.

The bulk of the fish blocks imported from Canada under item 110.4765 of the TSUSA, other fish blocks, consists of fresh water fish, i.e. whitefish and pike blocks. The remaining blocks from Canada entering under this TSUSA item are hake and ocean catfish. There is no evidence of any U.S. production of fresh-water fish blocks.

U.S. production of fish blocks

U.S. production of all types of fish blocks accounted for about 1 percent of U.S. consumption for the years 1974-77. Total production increased from 2.4 million pounds in 1974 to 4.6 million pounds in 1977 (table 19). During January-November 1978, U.S. production amounted to only 2.0 million pounds, or less than half the level reached during the corresponding period of 1977 (table 20). As shown in table 19, U.S. consumption of all kinds of fish blocks increased by more than 38 percent during the period 1974-77. Fish blocks of cod and other fish that are not covered by this investigation account for a substantial proportion of U.S. production, as shown in table 20.

Table 19.--All fish blocks: U.S. supply and utilization, 1974-77

(Million pounds product weight)

Year	Supply				Utilization	
	Beginning stocks	U.S. freezings	Imports	Total	Ending stocks	Disappearance
1974	80.6	2.4	266.1	349.1	75.7	273.4
1975	75.7	2.2	313.5	391.4	79.0	312.4
1976	79.0	2.7	378.7	460.4	61.1	399.3
1977 1/	61.1	4.6	385.1	450.8	73.2	377.6

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. production of the fish blocks under investigation, decreased from 1.2 million pounds in 1974 to 518,000 pounds in 1977. During January-November 1978 only 83,000 pounds of these fish blocks were produced domestically. Production of the blocks under investigation declined from nearly half of total U.S. production of all types of fish block in 1974 to only 4 percent of such U.S. production in January-November 1978 (table 20).

Canadian production of fish blocks

Canadian production of all types of fish blocks is considerably greater than U.S. production. Canadian production in the Atlantic Provinces increased unevenly from 53 million pounds in 1974 to 112 million pounds in 1977. During January-September 1978, the Atlantic Provinces produced 95 million pounds of fish blocks, only marginally higher than the January-September 1977 figures. Production of cod blocks, which were the subject of the 1978 fish investigation, increased from 50 percent of total block production in the Atlantic Provinces in 1974 to more than 70 percent of such production during January-September 1978. Production of haddock and Atlantic ocean perch blocks accounted for roughly 5 percent of total block production in the Atlantic Provinces from January 1974 to September 1978. Whiting block production in Canada is very minor. Canadian production of the types of fish blocks under investigation are shown in table 21.

Table 20.—Fish blocks: U.S. production, by species, 1974-77, January-November 1977, and January-November 1978

(Thousand pounds product weight)

Period	Those blocks under investigation				Those blocks not under investigaton				Total
	Atlantic ocean perch	Haddock	Whiting	Subtotal	Cod	Pollock	All other 1/	Subtotal	
1974	721	2	454	1,177	684	191	369	1,244	2,421
1975	920	3	0	923	734	42	521	1,297	2,220
1976	628	63	4	695	1,002	519	449	1,970	2,665
1977	344	162	12	518	1,698	1,415	950	4,063	4,581
Jan.-Nov—									
1977	344	162	12	518	1,675	1,281	919	3,875	4,393
1978	1	24	58	83	721	944	281	1,946	2,029

1/ May include small quantities of fish blocks of the types under investigation.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 21.--Fish blocks: Canadian production in the Atlantic regions, by species, 1974-77, January-September 1977, and January-September 1978

(In thousands of pounds product weight)

Period	Those blocks under investigation			Those blocks not under investigation			Total
	Atlantic ocean perch	Haddock	Subtotal	Cod	All other 1/	Subtotal	
1974	1,867	1,179	3,046	26,612	22,948	49,560	52,606
1975	1,658	1,664	3,322	22,937	23,454	46,391	49,713
1976	1,689	1,737	3,426	40,704	23,711	64,415	67,841
1977	2/	3/ 3,709	3,709	3/ 68,088	4/ 40,008	108,096	3/ 111,805
Jan.-Sept--							
1977	2/	3/ 2,728	2,728	3/ 60,443	4/ 30,432	90,875	3/ 93,603
1978	2/	3/ 3,574	3,574	3/ 67,307	4/ 24,292	91,599	3/ 95,173

1/ May include some whiting, hake, and fresh-water fish blocks that are the subject of this investigation.

2/ Not available.

3/ Provisional.

4/ May include Atlantic ocean perch blocks which are the subject of this investigation.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Virtually all of the fish blocks exported from Canada are exported to the United States. In 1977, 24 percent of the Canadian haddock block production, and virtually all of the ocean perch blocks produced in Canada were exported to the United States (tables 22 and 23).

Table 22.--Haddock blocks: Canadian production and exports, 1974-77

Year	Production	Total exports	Exports to United States	Exports to the United States as a percent of-- Production	Exports to the United States as a percent of-- Total exports
	Million pounds			Percent	
1974	1.2	0.2	0.2	16.7	100.0
1975	1.7	0.5	0.5	29.4	100.0
1976	1.6	0.3	0.3	18.8	100.0
1977	3.7	0.9	0.9	24.3	100.0

Source: Joel B. Dirlam, Canadian Trade Practices and Policies Relative to Fish Commodities, U.S. Department of Commerce contract, No. 7-35365, July 1978.

Table 23.--Atlantic ocean perch blocks: Canadian production and exports, 1974-77

Year	Production	Total exports	Exports to United States	Exports to the United States as a percent of-- Production	Exports to the United States as a percent of-- Total exports
	Million pounds			Percent	
1974	1.9	1.8	1.8	94.7	100.0
1975	1.7	1.9	1.9	111.8	100.0
1976	1.7	1.8	1.8	105.9	100.0
1977	1/	1.1	1.1	1/	100.0

1/ Not available.

Source: Joel B. Dirlam, Canadian Trade Practices and Polices Relative to Fish Commodities, U.S. Department of Commerce contract, No. 7-35365, July 1978.

U.S. imports of fish blocks

Imports of all types of fish blocks, which account for nearly 99 percent of U.S. consumption, increased from 266 million pounds in 1974 to 385 million pounds in 1977. From 1974 to 1977 roughly half of the U.S. imports of blocks came from Canada, Denmark, and Iceland (table 24). U.S. imports of all fish blocks from Canada increased from 13 percent of total imports of such blocks in 1974 to nearly 21 percent in 1977.

Table 24.—All fish blocks: U.S. imports for consumption, by principal sources, 1974-77

(In millions of pounds)

Year	Canada	Denmark	Iceland	All other	Total
1974	34.2	39.0	45.0	147.9	266.1
1975	42.3	40.3	57.9	173.0	313.5
1976	54.5	54.5	67.3	202.4	378.7
1977	80.3	69.2	62.9	172.7	385.1

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports of the fish blocks under consideration from all countries increased irregularly from 55 million pounds in 1974 to 64 million pounds in 1977, and then rose to 72 million pounds during January-October 1978. Such imports from Canada, however, fell from 4.3 million pounds in 1975 to 3.3 million pounds in 1976, rising to 4.6 million pounds in 1977 and 8.2 million pounds during January-October 1978, as shown in table 25. The unit value of such imports from Canada increased from 42 cents per pound in 1975 to 65 cents per pound in 1978. Imports of the fish blocks under investigaton, by TSUSA items, are presented in tables 26, 27, 28, and 29. As shown in table 30, U.S. imports of the fish blocks under consideration from Canada fell from 8 percent of apparent U.S. consumption in 1975 to 5 percent in 1976, but rose to 7 percent in 1977. Imports from all other sources accounted for over 90 percent of domestic consumption in each of these years.

Table 25.--Fish blocks under investigation (TSUSA items 110.4730, 110.4755, 110.4760, and 110.4765): U.S. imports for consumption, from Canada and from other sources, 1975-77, January-October 1977, and January-October 1978

Source	1975	1976	1977	January-October 1977	January-October 1978
	Quantity (1,000 pounds product weight)				
Canada	4,258	3,347	4,605	3,424	8,227
All other	50,844	63,387	58,995	46,367	63,831
Total	55,102	66,734	63,600	49,791	72,058
	Value (1,000 dollars)				
Canada	1,771	1,931	3,232	2,344	5,312
All other	24,993	36,153	42,508	33,334	46,983
Total	26,764	38,084	45,740	35,678	52,295
	Unit value (cents per pound)				
Canada	42	58	70	68	65
All other	49	57	72	72	74
Total	49	57	72	72	73

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 26.--Haddock, skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4730): U.S. imports for consumption, by principal sources, 1974-77, January-October 1977, and January-October 1978

Source	1974	1975	1976	1977	January-October-- 1977	January-October-- 1978
	Quantity (1,000 pounds product weight)					
Canada	195	455	267	838	482	1,502
Denmark	3,070	4,438	2,530	10,948	7,934	7,326
Iceland	4,942	12,738	10,107	5,950	5,037	7,927
Norway	10,153	15,967	12,190	7,407	6,926	4,564
United Kingdom	2,636	983	1,833	5,090	4,290	735
All other	56	2,068	1,620	582	548	846
Total	21,052	36,649	28,547	30,815	25,217	22,900
	Value (1,000 dollars)					
Canada	135	250	176	814	453	1,472
Denmark	2,038	2,283	2,530	10,483	7,524	7,080
Iceland	3,149	6,751	6,923	5,604	4,729	7,850
Norway	6,986	8,879	7,031	5,728	5,273	4,399
United Kingdom	1,603	511	1,353	3,845	3,210	689
All other	42	1,056	699	549	514	525
Total	13,953	19,730	18,712	27,023	21,703	22,015
	Unit value (cents per pound)					
Canada	69	55	66	97	94	98
Denmark	66	51	100	96	95	97
Iceland	64	53	68	94	94	99
Norway	69	56	58	77	76	96
United Kingdom	61	52	74	76	75	94
All other	75	51	43	94	94	62
Average	66	54	66	88	86	96

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 27.--Whiting, skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4755): U.S. imports for consumption, by principal sources, 1975-77, January-October 1977, and January-October 1978

Source	1975	1976	1977	January-October--	
				1977	1978
	Quantity (1,000 pounds product weight)				
Argentina	3,101	10,666	14,633	9,766	21,155
Canada	53	41	78	73	35
All other	5,573	9,863	7,691	6,271	13,005
Total	8,727	20,570	22,402	16,110	34,195
	Value (1,000 dollars)				
Argentina	894	3,329	6,740	4,342	11,840
Canada	21	19	40	38	19
All other	1,781	4,940	4,357	3,416	8,153
Total	2,696	8,288	11,137	7,796	20,012
	Unit value (cents per pound)				
Argentina	29	31	46	44	56
Canada	40	46	51	52	54
All other	32	50	57	54	63
Average	31	40	50	48	59

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 28.--Atlantic ocean perch (rosefish), skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weight and dimensions (TSUSA item 110.4760): U.S. imports for consumption, by principal sources, 1975-77, January-October 1977, and January-October 1978

Source	1975	1976	1977	January-October-- 1977	January-October-- 1978
	Quantity (1,000 pounds product weight)				
Canada	380	377	194	171	515
Denmark	65	193	76	64	84
Greenland	397	1,192	360	316	113
Iceland	1,069	4,189	1,588	1,280	1,449
All other	262	2,030	73	73	8
Total	2,173	7,981	2,291	1,904	2,169
	Value (1,000 dollars)				
Canada	212	276	128	114	385
Denmark	34	109	52	43	62
Greenland	151	703	215	189	74
Iceland	469	2,778	1,071	855	1,119
All other	141	1,180	50	50	6
Total	1,007	5,046	1,516	1,251	1,646
	Unit value (cents per pound)				
Canada	56	73	66	67	75
Denmark	52	56	68	67	74
Greenland	38	59	60	60	65
Iceland	44	66	67	67	77
All other	54	58	68	68	75
Average	46	63	66	66	76

Source: Compiled from official statistics of the U.S. Department of Commerce.

[redacted]

Table 29.--Other fish, 1/ skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4765): U.S. imports for consumption, by principal sources, 1975-77, January-October 1977, and January-October 1978

Source	1975	1976	1977	January-October-- 1977	January-October-- 1978
	Quantity (1,000 pounds product weight)				
Canada	3,370	2,662	3,495	2,698	6,175
Iceland	1,246	2,825	2,745	2,325	2,530
Japan	305	822	361	324	347
Republic of Korea	75	0	54	4	2,075
All other	2,557	3,327	1,437	1,209	1,667
Total	7,553	9,636	8,092	6,560	12,794
	Value (1,000 dollars)				
Canada	1,288	1,460	2,250	1,739	3,436
Iceland	485	1,650	2,172	1,829	2,053
Japan	448	1,398	627	534	695
Republic of Korea	23	0	38	7	1,257
All other	1,087	1,530	977	819	1,181
Total	3,331	6,038	6,064	4,928	8,622
	Unit value (cents per pound)				
Canada	38	55	64	64	56
Iceland	39	58	79	79	81
Japan	147	170	174	165	200
Republic of Korea	31	-	70	175	61
All other	43	46	68	68	71
Average	44	63	75	75	67

1/ Other than Atlantic ocean perch, cod, flatfish, haddock, pollock, and whiting.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 30.--Fish blocks under investigation: U.S. production, imports for consumption, and apparent U.S. consumption, 1975-77

Year	U.S. production	U.S. imports for consumption			Apparent consumption	Ratio to apparent consumption of U.S. imports from--		
		From Canada	From all other sources	Total		Canada	All other sources	All sources
	1,000 pounds					Percent		
1975----------	923	4,258	50,844	55,102	56,025	7.6	90.7	98.4
1976----------	695	3,347	63,387	66,734	67,429	5.0	94.0	99.0
1977----------	518	4,605	58,995	63,600	64,118	7.2	92.0	99.2

Source: Compiled from data presented in tables 20 and 25 of this report.

Note.--U.S. exports of the products covered above are nil or negligible.

In investigation 303-TA-3, Certain Fish from Canada, the Commission determined unanimously that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of cod blocks from Canada. Cod blocks, however, are hot included in the scope of this investigation.

Pricing of fish blocks

Prices of fish blocks are determined by quality and availability. In general, Canadian fish blocks have a reputation for being inadequately frozen and improperly boned and skinned. Since a large percentage of the Canadian blocks is waste, prices of Canadian blocks in the United States are generally lower than prices of blocks imported into the United States from Denmark, Iceland, and Norway.

Since fresh fish command higher prices per pound than fish blocks, U.S. fish processors will freeze fish into blocks only when there is an oversupply of fresh fish. Fish stick and portion manufacturers, however, require a constant supply of blocks, and since the supply of U.S. produced blocks fluctuates sharply, they are unwilling to pay top prices for U.S. produced blocks.

The fish blocks exported from Canada which are subject to this investigation account for less than 2 percent of total U.S. fish block consumption. Variations in the prices of these fish blocks will have little, if any, influence upon the prices of all fish blocks consumed in the United States, including the blocks under investigation that are produced in the United States.

Live American Lobsters 1/

Introduction

The American lobster.—The American lobster (Homarus americanus) is one of the most important of the U.S. fishery resources, ranking first among the fisheries of the Northwest Atlantic seaboard and fifth nationally in landed value in 1977. It provides income for approximately 17,000 persons employed in lobster fishing and directly related industries and is the economic foundation of numerous fishing communities in New England. An additional 12,000 or more persons utilize the resource directly in recreational fishing. The lobster fishery also indirectly contributes in a substantial way to tourism and other recreational activities.

American lobsters range from Labrador to Cape Hatteras, N.C. and lobsters are found in commercial quantities over a wide range of depths and habitat. Lobsters occur in greatest quantity along the coastal zone from New Brunswick to Cape Cod to a depth of about 20 fathoms and along the continental margin from Corsair Canyon to Hudson Canyon in depths between about 100 and 200 fathoms. Commercial concentrations occur seasonally on the continental slope and shelf from the Nantucket Shoals-Georges Bank complex to the Mid-Atlantic Bight (fig. 1). Small quantities of lobsters occasionally are taken incidental to other fishing in the area from New Jersey to North Carolina.

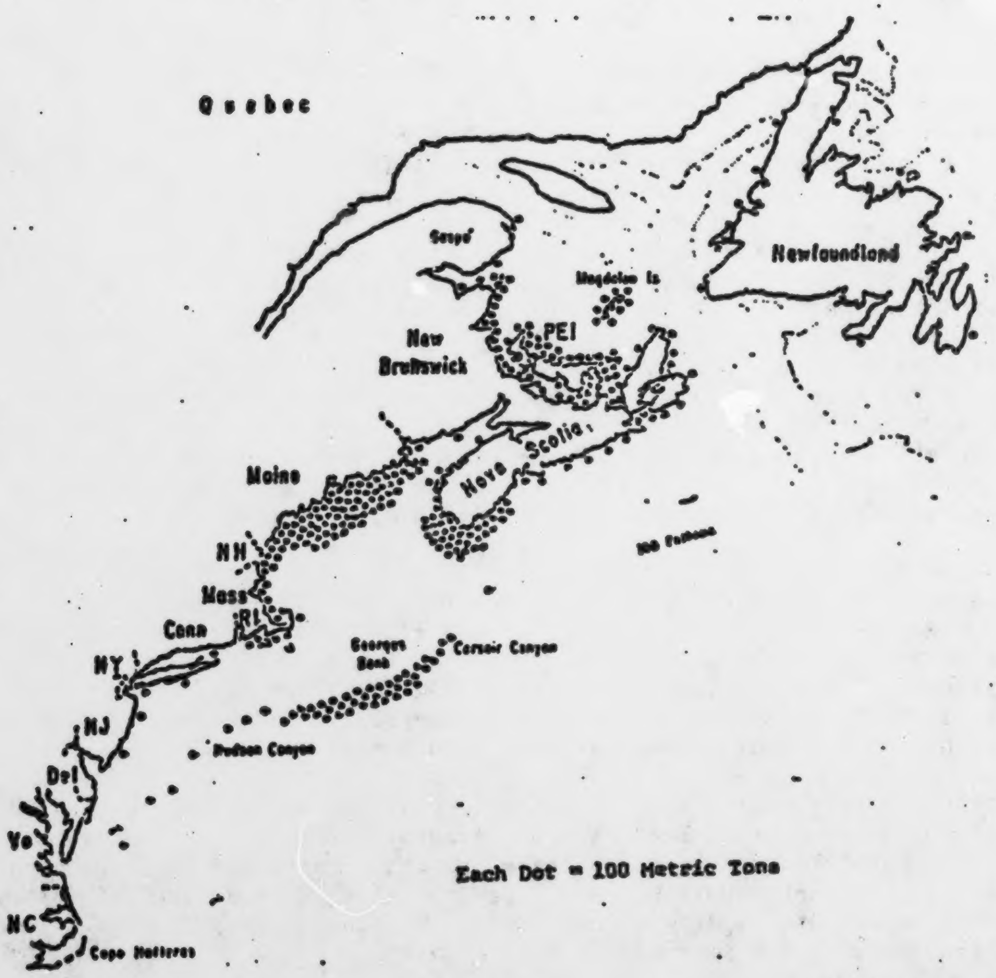
The lobster fishery in Maine accounted for as much as 80 percent to 85 percent of the total U.S. catch in the early years of the industry (in the 1800's) and about 60 percent of the total catch in recent years. The decline in the relative importance of the Maine catch is partly due to a downward trend in Maine landings and an increase during recent years in landings from offshore grounds in the southern New England and mid-Atlantic areas.

Of the total U.S. lobster catch in 1976 of 31.7 million pounds, Maine was the leading lobster-producing State, accounting for 63 percent (19.0 million pounds). Massachusetts was a distant second with landings totaling 6.7 million pounds (21 percent), followed by Rhode Island with 3.4 million pounds (11 percent). New Hampshire, Connecticut, New York, and New Jersey landed a total of 2.2 million pounds (7 percent) collectively; and Delaware, Maryland, and Virginia collectively landed a total of 0.3 million pounds (1 percent).

Spiny lobsters.—Live spiny lobsters (Panulirus argus) are landed and consumed in the southern United States. According to industry sources contacted by the Commission, these lobsters are not competitive with American lobsters and, in fact, could be considered to belong to a distinct industry. No spiny lobsters are imported from Canada. For these reasons, this investigation focuses upon the American lobster industry.

1/ This section on live American lobsters is largely based upon a report by the Lobster Sub Board of the Northeast Marine Fisheries Board, Draft American Lobster Fishery Management Plan, June 1978.

Figure 1.--American lobsters: Areas of concentration.



Source: Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Trap fishing.--While shallow water fishing with hand nets and hoop nets continued into the late 1940's, pots or traps have traditionally been the principal method of lobster capture. Before 1960, trap fishermen hauled their traps on board by hand--a very laborious process even in shallow waters. The advent of hydraulic powered trap-haulers during the 1960's stimulated development of deep water trap fishing technology. By 1968, trap fishermen had extended their operations to depths greater than 50 fathoms, principally in the areas off Massachusetts and Rhode Island. During the 1970's, the deep water trap fishery expanded rapidly across the continental slope in the area from Massachusetts to New Jersey and along the shelf edge from the Lydonia to the Norfolk canyons. Landings from the offshore lobster trap fishery increased rapidly to a peak 6.4 million pounds in 1972 and subsequently declined to 4.2 million pounds by 1976.

The supply and price of bait are major factors in the variable costs of lobstering. Higher bait prices and reduced supply could cause a drop in the number of traps hauled, or cause an increase in lobster prices, or both.

In general, U.S. landings peak during the summer and fall and decline during the winter, reaching a low period usually in February and March. Winter is traditionally viewed as a time to build and repair traps, overhaul boats, and prepare for the coming lobster season. In the winter months, storms and rough weather cause substantial gear losses, and make trap hauling difficult, if not dangerous, for small boats. In addition, because of seasonal fluctuations in lobster abundance and availability, many lobstermen choose not to set traps in the winter months, while others operate at a lower level of effort. Some lobstermen fish for other species during winter, while a great many lobstermen alternate their lobster fishing with seasonal outside jobs.

In coastal areas during winter, lobsters are taken primarily at depths of 20 fathoms and more. With the exception of some locations in Maine and possibly Long Island Sound, the coastal winter fisheries for lobsters are greatly reduced. The relatively high prices generated by the low supply of lobsters to the market during winter months has stimulated recent interest in off season fishing; however, this interest has not resulted in any major change in the seasonal characteristics of the fishery. A possible problem preventing development of winter fisheries in coastal areas may be the scarcity of legal-sized lobsters following the active summer fishery.

A large number of lobstermen fish only for recreational purposes rather than for income. Five northeastern States which license recreational fishermen reported a total or more than 12,000 licensed recreational lobster fishermen and a total catch of 300,000 to 500,000 pounds. Maine does not license recreational lobstermen as such, and is not included in the above data. Economic data are not available on these recreational fisheries. In addition, the significance of the lobster recreational fishery may be seriously understated because of the fact that an important proportion of part-time commercial fishermen derive little or no income from the fishery. Conceivably, many part-timers engage in commercial lobster fishing partly or completely for recreational purposes.

Lobster trawling.—As early as 1891, trawlers (also known as beam and otter trawlers) occasionally landed lobster which were caught while fishing for finfish; yet lobstering remained essentially a shoal water coastal trap fishery well into the 1950's. During the 1950's increased demand for lobster and technological improvements in trawl gear stimulated rapid development of an otter trawl fishery for lobster, principally around the canyon areas located in deep water along the continental margin off southern New England. Reported landings of trawl-caught lobsters increased from about 0.3 million pounds in 1950 to more than 1.1 million pounds in 1955 and to about 5.5 million pounds in 1965. The new fishery began extending southward from southern New England, eventually stretching from Corsair Canyon off Georges Bank, to the Norfolk Canyon off the Virginia coast. Otter trawl landings of American lobster peaked in 1970 at 7.0 million pounds and then declined sharply to 1.3 million pounds in 1976.

The U.S. industry

Lobstering forms a significant part of the economy of many communities along the Atlantic coastline from Maine to Connecticut, but is particularly important to smaller communities along the Northeastern coast of Maine, where alternative employment is unavailable and the lobstermen frequently live at a subsistence level. Further south, the smaller numbers of lobstermen do not exert as significant an influence on the larger more industrialized communities and States.

Available information indicates that the majority of lobstermen work part-time while a small minority are full-time lobstermen. Eighty-six percent of the inshore commercial lobstermen in Connecticut, for example, fish an average of 6.3 months a year for an average of 90.5 hours a month in lobstering and related activities. The remaining 14 percent of the lobstermen in Connecticut fish an average of 9.2 months a year spending an average of 196.7 hours a month in lobstering and related activities.

These full-time fishermen account for a major portion of the harvest. In Connecticut, 14 percent of the commercial lobster fishermen accounted for 78 percent of the 1975 commercial landings. In Maine, 8 full-time lobstermen are the equivalent, in terms of production, to 32 part-time lobstermen. In Massachusetts, 20 percent of the lobstermen set over 90 percent of the traps and accounted for about 95 percent of the harvest during 1974-76.

Since entry into the coastal lobster fishery requires minimal cash investment and experience in fishing, students, retired persons, and those with alternative full-time employment fill the ranks of part-time lobstermen. These part-time lobstermen, in general, operate at a low level of effort. In addition, some career lobstermen operate at a similar low level of effort but are content with the lifestyle and income thus generated. While the revenue generated from lobster fishing may be a substantial part of the total income of some part-time fishermen, it is likely that many part-timers engage in commercial lobster fishing primarily for recreational purposes. Forty-eight percent of the part-time fishermen in Connecticut, for example, derive little or no income from the fishery.

The magnitude of the investment required to successfully operate in offshore lobstering probably precludes anyone but a serious full-time operator from participating in offshore lobstering.

Operating units and employment.--In 1976, a total of 10,514 boats and vessels and 13,259 men were employed in lobster fishing. Of these, a great majority (10,356 boats and 12,621 men) were employed in the coastal trap fishery (table 31). These figures do not include those individuals employed in the lobster distribution system.

The number of people engaged in lobster fishing increased from 8,405 in 1965 to 11,508 in 1973 and 14,736 in 1976, but employment subsequently decreased to 13,259 in 1976. Since 1968, employment in trap fisheries has increased, while employment in the otter trawl lobster fishery declined from 711 in 1968 to 209 in 1976. The number of otter trawl vessels used in lobster fishing declined from 87 vessels in 1967 to 41 vessels in 1976.

The number of vessels, workers, and gear employed in the coastal trap fishery remained fairly steady from 1973 to 1976. The number of boats fluctuated between 10,013 to 10,383 over this period and the number of traps has fluctuated between 2.0 and 2.1 million. Employment in the coastal trap fishery increased from 10,822 in 1973 to 14,058 in 1974, and subsequently declined to 12,621 in 1976. The increase from 1973 to 1974 can, in part, be attributed to speculative purchasing of fishing licenses in Maine in anticipation of a moratorium on the issuance of new licenses. The number of licensed lobstermen in Maine increased from 8,100 in 1973 to 10,600 in 1974.

The total number of vessels, men, and gear employed in the offshore trap fishery increased from 1973 to 1975; preliminary statistics for 1976, however, show a slight decline. According to the New England Fishery Management Council, the number of offshore trap vessels over 5 gross tons, however, has steadily increased from 31 vessels in 1972 to 66 vessels in 1977, representing an increase of more than 100 percent, as shown in the following tabulation:

	Offshore lobster trap vessels in New England
1972	31
1973	34
1974	48
1975	66
1976	67
1977	66

Wholesalers.--The lobsterman sells his catch to a dealer who, in turn, then sells his stock to a wholesaler. Dealers often function as wholesalers. Wholesalers market their stock either to retail outlets or to restaurants. Lobster co-ops frequently operate as dealer-wholesalers, eliminating outside middlemen. Because few alternatives exist for many lobstermen, the wholesaler

Table 31.--American lobsters: Total numbers of vessels, crewmen, and gear employed in the American lobster fishery, 1973-76 1/

Segment of fishery	1973			1974			1975			1976		
	Vessels	Men	Gear 2/	Vessels	Men	Gear 2/	Vessels	Men	Gear 2/	Vessels	Men	Gear 2/
Coastal trap fishery 3/----	10,383	10,822	2,132,155	10,013	14,058	2,089,330	10,069	13,387	2,012,000	10,356	12,621	2,128,909
Offshore trap fishery 3/----	114	365	65,340	116	397	69,600	123	408	72,450	117	429	73,760
Otter trawl fishery-------	67	321	67	59	281	59	58	282	58	41	209	41
Total-------	10,564	11,508	2,197,562	10,188	14,736	2,158,989	10,250	14,077	2,084,508	10,514	13,259	2,202,710

1/ Preliminary estimates.

2/ The term gear includes the number of traps for coastal and offshore trap fishery, and the number of trawls utilized for otter trawl fishery. One trawl per vessel is used in otter trawl fishery.

3/ Some trap vessels are employed in both the coastal and offshore areas. Vessels are classified by area in which they are primarily employed.

Source: Lobster Sub Board of the Northeast Marine Fisheries Board, Draft American Lobster Fishery Management Plan, June 1978.

frequently has the ability to set the price. Wholesale prices tend to reflect differences in handling and transportation costs between the major markets, but are otherwise equalized.

In 1975 an estimated 346 wholesalers handled American lobsters throughout the eastern coastal States, as shown in the following tabulation. These wholesalers probably handle all of the live lobsters marketed in the United States, except lobsters sold by lobstermen directly to restaurants or to individual consumers on the coastline.

State	Number of lobster wholesale dealers
Maine	127
New Hampshire	2
Massachusetts	77
Rhode Island	10
Connecticut	43
New York	60
Others	27
Total	346

Consumers.—At the final market level the U.S. lobster industry is dominated by a small number of major participants. One or two large New England dealers and the Fulton Fish Market in New York may absorb between them nearly half the total available production.

The Fulton Fish Market is the price setter for the entire lobster market. New York regularly absorbs nearly one-fourth of total Maine production and Canadian imports. As an outlet of last resort, New York can handle large surplus supplies or inventory liquidations. Three of the large Fulton dealers may handle as much as 50 percent of all the lobsters sold in New York. Elsewhere, the Massachusetts catch is consumed primarily in local areas or utilized by the Boston market. The other coastal States, including Rhode Island, New Hampshire, Connecticut, and New Jersey, produce fewer lobsters than are consumed locally; thus, they rely on supplies from Maine and Canada. With the increasing use of air transport, live American lobsters are becoming less of a rarity in the inland and Western States. However, New York and New England continue to dominate the lobster market.

Lobster pounds [1]

The existence of lobster pounds in New Brunswick, Nova Scotia, and Maine is an important factor in understanding the available supply of lobsters in the United States. A pound consists of an enclosed area, such as a small cove or inlet with a dam built across the mouth. To provide circulation, sea water is allowed to flow over the dam at high tide. Lobsters are collected periodically by seines or trawl nets and by draining the pound on a low spring tide to empty it completely. In 1959, there were 15 lobster pounds in Canada with a capacity of 2.3 million pounds of lobster. In 1979, 21 tidal pounds existed in Canada, 16 in New Brunswick, and 5 in southwestern Nova Scotia, with a total capacity of 3 million pounds of lobster. Since the pounds are stocked, emptied, and restocked more than once throughout the year, the actual number of lobsters stocked yearly is higher than total pound capacity. Maine pounds are concentrated between Casco Bay and Jonesport, a highly indented coastline. A total of 1,600,000 lobsters are held in Maine pounds each year with a 10 percent mortality rate. Maine lobster pound capacity between 1959 and 1973 has remained fairly steady at 4.2 million pounds of lobster.

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[1] This section on lobster pounds is largely based on Nancy L. Hasselback's paper submitted to the Marine Affairs Program, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, University of Rhode Island, May 1978.

Pounds are stocked (1) in anticipation of high winter prices, (2) to absorb landings in excess of demand, (3) to avoid depressing the price, and (4) to hold recently molted soft-shelled lobsters until their shells become hard enough to withstand shipping, and their weight has increased. Maine pounds are generally emptied by March when prices are high and are stocked in the spring with the large supply of Canadian imports. Later in the season Maine pounds are stocked with soft-shelled lobsters until their shells harden and they thus command a better price. The surplus of summer landings is pounded in the fall when landings peak. These lobsters are held in anticipation of higher prices in the winter.

In the fall, several U.S. lobster dealers export U.S. lobsters to Canada to be held in pounds until the market firms up, at which time, the lobsters are reexported back to the United States. A few U.S. dealers own lobster pounds in Canada, especially around Prince Edward Island.

In the months of January, February, and March, the United States imports more live lobsters than Canada lands, indicating that the imports come from lobsters pounded in Canada. Most of the abundant supplies from Canadian landings in April and May are shipped directly to the United States. During the months of October, November, and December when the lobster season opens in Nova Scotia, Canadian landings peak again and the surplus lobsters are held in pounds.

Management institutions, policies, and jurisdictions

Historically, each State has managed its lobster fishery independently from other States. However, there have been a number of informal agreements among neighboring States to implement uniform lobster conservation and management measures. Since 1972, the lobster producing States from Maine to North Carolina and the NMFS have cooperated under the auspices of the NMFS State-Federal Fishery Management Program to provide a unified approach to the management of the lobster fishery. Although there is no authority for implementing management decisions under the program, all participants agreed to work toward implementation of 10 lobster management precepts developed under the program. The management precepts and their status of implementation in the States are summarized in table 32.

Table 32.--American lobsters: Management precepts of the State-Federal Program, and their status of implementation as of September 1977

Precept	State										
	ME	NH	MA	CT	RI	NY	NJ	DE	MD	VA	NC
1. A program shall be developed to effectively control fishing effort on the lobster resource	D	NA	P	NA	NA	NA	NA	I	NA	NA	NA
2. Reciprocal enforcement between States shall be effected	NA	I	I	I	I	I	NA	NA	NA	NA	NA
3. All States shall establish a uniform minimum legal carapace length of 3-1/2 inches with no State less than 3-3/16 inch carapace length by January 1, 1976	1/	D	1/	1/	D	1/	D	1/	1/	1/	1/
4. Maximum size limit shall not be imposed on the lobster fishery	D	I	I	I	I	I	I	I	I	I	I
5. All States shall enact uniform laws prohibiting the possession of egg-bearing or scrubbed lobsters	I	I	I	I	I	I	I	I	I	I	I
6. All States shall enact uniform laws prohibiting the landing of lobster meat	I	I	I	I	P	I	D	I	NA	I	I
7. All States shall enact uniform laws prohibiting the notching of female lobsters	NA	I	I	I	I	I	I	I	I	I	I
8. All States shall enact uniform laws prohibiting the possession of detached tails, claws or parts of lobster	I	I	I	I	I	P	D	I	NA	NA	I
9. All lobster traps shall incorporate an escape vent of a size adequate to minimize retention of sublegal lobsters	I	D	I	NA	NA	NA	NA	I	NA	NA	I
10. All fishermen and primary dealers shall be licensed and shall be required to keep daily records of their activities on forms provided by the licensing agency	P	P	P	I	P	P	NA	P	NA	P	NA

Key: I-Implemented. P-Partially implemented. Regulations conforming to the intent of the precept are in effect but may be less restrictive than is required to fulfill the intent of the precept. D- Defeated. Legislative proposals to implement the precept were defeated in the legislature or died in legislative committee. NA- No Action. Management agency has not attempted to implement the precept.

1/ Implemented by February 1979.

Source: Lobster Sub Board of the Northeast Marine Fisheries Board. *Draft American Lobster Fishery Management Plan*, June 1978.

[redacted]

In 1976, Congress enacted Public Law 94-265, The Fishery Conservation and Management Act of 1976. The fishery conservation zone (FCZ) established by the act extends from the seaward boundary of the territorial sea. Since the lobster fishery extends from Maine to North Carolina, both the New England and the Mid-Atlantic Regional Fishery Management Councils have authority over the lobster fishery in the FCZ of the Northwest Atlantic area.

Recommendations of the Northeast Marine Fisheries Board.--In its lobster fishery management plan, approved in February 1979, the Marine Fisheries Board recommends several measures most of which conform closely to the management precepts of the State-Federal Program shown in table 32, and which are necessary to promote the profitability of the U.S. lobster fishing industry and enhance conservation of the lobster resource. Table 33 shows other State regulations related to lobster fishing.

The plan requires the provision of escape vents in trap gear to allow sublegal lobsters to escape with minimal injury and the prohibition of landing lobster parts and meat to reduce lobster injury and mortality associated with fishing operations, and to promote the most economically efficient use of the resource. The mortality of sublegal lobsters in traps is high; the provision of escape vents decreases mortality and injury and increases the chances that the lobster will grow to harvestable size.

On January 1, 1979, a Maine law became effective which mandated that traps must be equipped with escape vents. In 1978, in anticipation of this new law, 48 percent of the Maine lobstermen used traps which had escape vents. According to James Thomas, head of the Lobster Project of the Maine Department of Marine Resources, the use of the escape vents increased the catch per unit of effort. Using a measure, trap haul set over day, as an indicator, figures show that 0.24 lobsters were caught per trap-haul in 1968, 0.14 lobsters were caught per trap-haul in 1977, and 0.16 lobsters were caught per trap-haul in 1978.

Spatial limitations on foreign fishing activity and requirements for the marking and reporting of the location of domestic fixed gear trawls have been included in the plan to prevent damage to domestic fixed gear by foreign vessels and to reduce conflicts between domestic fixed and mobile fishermen.

The plan also proposes to limit the number of traps. According to the Marine Fishery Board, this could mitigate gear conflict problems and increase profits by cutting costs of operations in both the inshore and offshore fishery. The total number of traps fished, the Board states, could be reduced by 50 percent or more, with no reduction of the total inshore catch. Offshore, the catch has stabilized in recent years, while the number of traps fished has continued to increase. The result is that the efficiency of the offshore trap fleet has declined dramatically. The catch per unit of effort in the offshore fishery declined from 3.62 pounds per trap haul in 1969 to 0.79 pounds in 1976 (fig. 2). Since the benefits of trap limits may be dissipated by additions of new fishermen, controls on the entry of new fishermen is an essential part of this plan.

Discounting probable technical advances, the plan states, a lobster trap fisherman might increase his catch per trap by increasing the frequency of the trap hauls and by more selective placement of the trap.

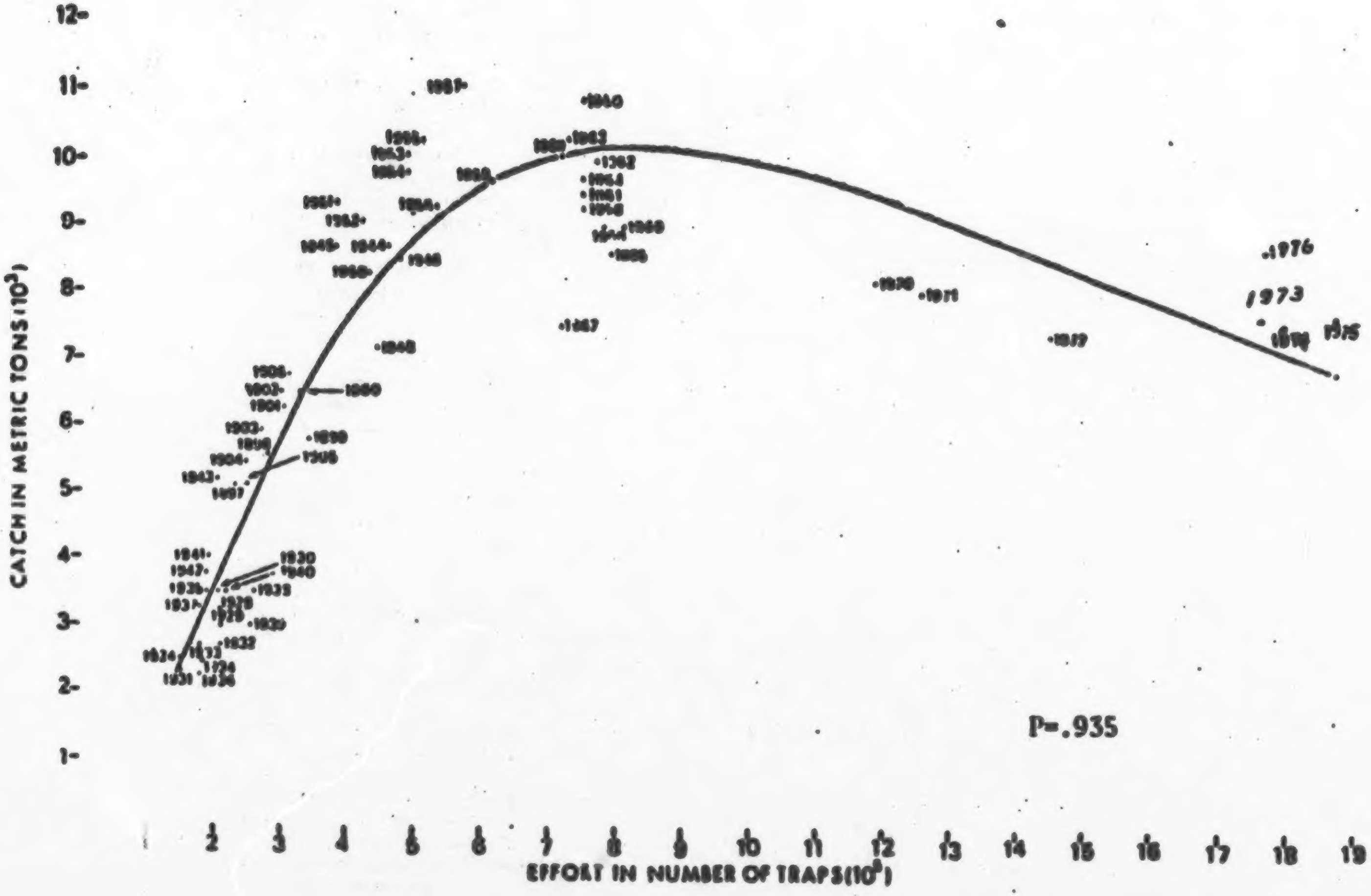
Table 33.--American lobsters: Regulations by state, 1977

Type of regulation	States										
	ME	NH	MA	RI	CT	NY	NJ	DE	MD	VA	NC
License requirements:											
no license required							X		X		X
required to fish lobster	X	X	X	X	X	X		X		X	
required to land lobster	X	X	X	X	X	X				X	
required to deal in lobster	X	X	X	X	X						
Legal provisions for aquaculture:											
enterprises	X	X	X	X	X	X	X				
Fishermen classification:											
none							X		X	X	X
commerical	X	X	X	X	X	X		X			
non-commercial		X	X	X	X	X		X			
Catch/effort reporting:											
not required							X		X	X	X
required annually	X	X	X		X	X		X			
required daily record				X	X						
Gear regulations:											
none							X		X		
by license class		X	X	X	X	X				X	
by quantity allowed		X	X			X		X		X	
by type allowed	X	X	X			X		X			
owner identification required	X	X	X	X	X	X		X			
escapement opening in catching device specified	X		X					X			X
Fishing activity regulations:											
none											
by license class or method			X	X		X		X			
by number of licenses			X								
by catch quotas						X		X			
by area	X	X	X			X					
by season	X		X					X			
by day or time of day	X	X	X	X	X			X			
landing of lobster meat regulated	X	X	X	X	X	X		X		X	X
landing of lobster parts regulated	X	X	X	X	X	X		X			X
landing of gravid female lobsters prohibited	X	X	X	X	X	X	X	X	X	X	X
landing of v-notched female lobsters prohibited	X										
landing of lobsters regulated by size (carapace length)	X	X	X	X	X	X	X	X	X	X	X
5 inches maximum allowed	X										
3-1/16 inches minimum allowed				X							
3-1/8 inches minimum allowed		X					X				
3-3/16 inches minimum allowed	X		X	1/	X	X		X	X	X	X

1/ Length to increase to 3-3/16 inches in 1979.

Source: Lobster Sub Board of the Northeast Marine Fisheries Board, Draft American Lobster Fishery Management Plan, June 1978.

Figure 2.--Lobster catch-effort, Maine 1897-1976



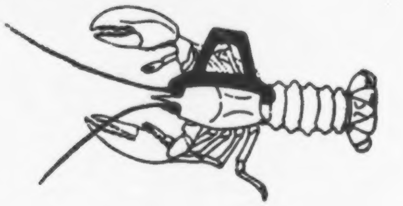
Source: Lobster Sub Board of the Northeast Marine Fisheries Board, Draft American Lobster Fishery Management Plan, June 1978.

[redacted]

The optimum minimum size limitation for harvested lobsters determined by the Board, on the basis of biological, social, and economic considerations is 3-1/2 inches carapace length. Recent yield estimates, according to the Board, indicate that an increase in the minimum size limitation to 3-1/2 inches carapace length with current levels of fishing mortality would in the immediate short term somewhat reduce the total catch but could, in the long term, increase the total poundage of the catch by between 7 percent and 33 percent in the near future, depending on area, over what the catch would have been without the change in minimum size. In addition, the Board believes, a 3-1/2 inch minimum size in conjunction with prohibitions on the taking of berried female lobsters will allow substantial numbers of female lobsters to spawn at least once before they are harvested, and will reduce the risk of stock depletion and recruitment failure. The plan calls for all States to adopt a 3-3/16 inch minimum carapace length by 1981. No date has been set for the adoption of the 3-1/2 inch minimum.

HOW TO MEASURE A LOBSTER

The carapace length is measured from the rear of the eye socket along a line parallel to the center line of the body shell to the rear end of the body shell.



Regulations applicable to foreign fishing.--There is no published information on the catch of American lobsters by the large number of foreign fishing vessels that operated off the northeast coast of the United States prior to 1976. It seems likely, however, that significant quantities of lobsters were taken in bottom trawls of foreign vessels. In 1973, the United States declared the lobster to be a "creature of the continental shelf" under provisions of Public Law 93-242, thereby reserving the resource for the exclusive use of the U.S. fishermen. Important quantities of lobsters taken in tows of foreign vessels and subsequently liberated, as required by law, however, may have continued to be lost from mortality and injury associated with the fishing. In addition, there were frequent reports of damage to trap gear of U.S. fishermen by foreign trawl vessels.

In 1977, the foreign fishing effort off the coast of the United States decreased dramatically with implementation of the Fishery Conservation and Management Act, and no permits have been issued to foreign vessels under the act for lobster fishing. Regulations promulgated under the act presently prohibit foreign vessels from fishing in the area between the 100 and 200 fathom contours along the outer Continental Shelf and from fishing within a 2-nautical mile radius of fixed gear of U.S. fishermen. These restrictions on foreign fishing activity are intended to prevent damage to domestic fixed gear by foreign fishing vessels. In 1977, under half a million pounds of American lobsters were caught by foreign vessels as incidental catch.

U.S. production of lobsters

The total U.S. catch of American lobsters in 1977 was 31.7 million pounds, up from the recent low of 28.5 million pounds in 1974 (table 34). In 1969, the catch amounted to 33.8 million pounds. With the average ex-vessel price increasing from $1.52 per pound in 1974 to $1.82 per pound in 1977, the total landed value of the catch increased steadily over the period from $43.3 million in 1974 to a record high of $57.7 million in 1977.

Table 34.--American lobsters: U.S. landings, 1974-77, January-October 1977, and January-October 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Per pound
1974	28,543	43,294	$1.52
1975	30,200	51,412	1.70
1976	31,741	52,715	1.66
1977	31,708	57,715	1.82
January-October-- 1/			
1977	20,199	41,832	2.07
1978	20,746	47,031	2.27

1/ Major ports only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Investment in U.S. lobster fisheries

According to preliminary NMFS data, 10,356 inshore lobster trap boats were in operation in 1976. These boats tended 2.1 million traps and caught 25.7 million pounds of lobster. Investment in inshore lobster fishing enterprises can be as small as the purchase of a few traps and a small outboard motorboat. Each boat, with its equipment, traps, and related shore facilities is valued at an average of about $13,500. Total investment in this lobster fishery is approximately $40 million.

The offshore trap fishery, with 117 vessels participating, produced a reported catch of 4.4 million pounds of lobster with 73,760 traps in 1976. Offshore traps are fished in trawl lines of varying lengths. In moderate depths, 20 to 30 traps are commonly joined to form each trawl line. Further out to sea, trawl lines may have 25 to 50 traps each, while some lines, fished in even deeper waters, may consist of 75 to 100 traps, all fished on one string. When the value of traps, lines, buoys, and radar reflectors is totaled, a single string can be worth up to $12,000. Offshore trap vessels can be valued from $250,000 to $750,000. Some vessels are draggers or Gulf shrimpers which have been converted to trap fishing. In recent years, new vessel construction for the offshore trap fishery has been predominantly in the 60 foot class. Using a value of $175,000 for a typical vessel presently in the fishery, and $50,000 for traps per enterprise, the investment in an individual outfit can be figured at nearly $250,000. For the offshore trap fishery as a whole, the investment is approximately $29 million. This estimate does not include shore facilities such as lobster storage tanks, maintenance shops, or piers.

The offshore dragger fishery involved 41 vessels with total landings of 1.4 million pounds of lobsters in 1976. If each dragger is assumed to have a value of about $300,000, the total investment in the offshore trawl fishery is approximately $12.3 million. This amount is misleading, however, because the equipment is easily converted for use in other fisheries, or may in fact be in use in fishing operations involving other species. Using these figures as a base, total capital investment in the lobster fishery can be estimated at approximately $181 million.

Gross income and returns to capital and labor

Preliminary data collected by the Department of Commerce indicate that the value of U.S. commercial lobster landings of American lobsters in 1976 was $52.7 million.

The average gross return to operating units is estimated by the Lobster Sub Board of the Northeast Marine Fisheries Board to be as follows:

Type of lobster fishery	Gross returns (per enterprise)
Inshore trap	$4,122
Offshore trap	62,522
Offshore trawl	56,025

These figures are averages only, and for the inshore trap fishery especially, it must be realized that the average gross income for full-time professional lobstermen is much higher than this value, while the average gross income for quasi-commercial and marginal lobstermen may be much lower.

Although no average boat may exist, if one did, its 1976 expenses are estimated by the New England Council to be as follows: Gross earnings of $4,122 for an inshore trap boat would be divided as follows: (1) supplies, $988 or 24 percent; (2) services, $408 or 10 percent; and (3) value added--that is returns to capital and labor--$2,233 or 54 percent. The residual, $492 or 12 percent, remains as a profit.

Because most inshore lobster boats are owner-operated, returns to labor and capital are usually lumped together. If prevailing wage rates were paid in the lobster industry, many of the enterprises would operate at a loss, often a substantial one.

In 1978 a full-time owner-operator earned about $14,000. If he had a crewman, the captain earned $20,000 to $25,000 and the crewman $12,000, or about $50 a day.

Between 1967 and 1977, the average value of the catch doubled from $67.87 to $148.75 per boat trip.

The offshore fishery, because the boats are frequently large and use hired labor, must by necessity generate operating revenues which cover costs. Risks to equipment in the offshore trap fishery are very high, with life expectancy of traps being 1 year or less. Draggers frequently cut or destroy trap lines by mistake, causing the loss of substantial investments in trap gear. In addition, some trap boats lose gear by misplacement or navigational error. When two or more trawl lines are crossed when set, the hauling of one trap line at a future time often causes damage to the other lines. The possibility of heavy gear losses, and the lack of knowledge concerning the resource base being exploited combine to make the industry a risky one.

Offshore lobster dragging is attractive to many fishermen because of the small investment needed to adapt a groundfish vessel to lobster trawling. However, the product of such dragging is often of uncertain quality; as much as 30 percent of the dragging catch can be damaged because of rough handling during the harvesting operation. In the summer, a high proportion of the catch may be lost aboard vessels not equipped with adequate storage facilities. In addition, damage to the lobsters which are not harvested may be considerable. No information on returns to capital and labor exists for this fishing method, but the investment is easily transferred to other fish species.

Captains of offshore vessels earned up to $80,000 in 1978, while a crewman earned up to $40,000 a year.

According to wage data compiled by the Maine Department of Manpower Affairs, the average wage of a lobsterman increased from $1,504 in April-June 1974 to $2,403 in April-June 1977, representing an increase of 60 percent (table 35). The Department of Manpower, however, has informed the Commission that these wage figures might be understated because of tax evasion on the part of the fisherman. The U.S. Internal Revenue Service has conducted numerous investigations to uncover such alleged evasions.

Table 35.—Covered employment and wage data in commercial shellfish vessels (SIC 0913), State of Maine, in April-June 1974-78

Period	Vessels	Average employment	Total wages	Average wages
	Number	Number		Per worker
April-June—				
1974	75	115	$172,956	$1,504
1975	106	154	250,206	1,625
1976	116	181	376,063	2,078
1977	77	97	233,111	2,403
1978 1/	46	90	261,907	2,910

1/ Effective July 11, 1977, the Maine Employment Security Law was amended to exclude services performed by an individual on a boat of 10 net tons or less engaged in catching fish or other forms of aquatic animal life under an arrangement with the owner or operator of such boat pursuant to which:

(a) Such individual does not receive any cash remuneration, other than is prescribed in (b);

(b) Such individual recieves a share of the boat's or boats' catch or a share of the proceeds from the sale of such catch; and

(c) The amount of such individual's share depends on the amount of the boat's or boats' catch, but only if the operating crew of such boat, or each boat from which the individual receives a share in the case of a fishing operation including more than one boat, is normally made up of fewer than seven individuals.

Source: Division of Employment Security, Maine Department of Manpower Affairs.

According to the Lobster Sub Board, wholesalers work with a markup which averages about 40 percent and achieved an average net profit during 1972-74 equivalent to 4 percent of their net sales, as shown in table 36.

Table 36.--American lobsters: Distribution of cost items and income for wholesalers of live American lobster, as a percent of sales, 1972-74

(In percent)

Item	1972	1973	1974	Average
Sales	100.00	100.00	100.00	100.00
Merchandise purchased	62.98	63.06	60.78	62.27
Gross earnings	37.02	36.94	39.22	37.73
Materials and supplies:				
Merchandise materials	5.30	5.44	5.95	5.56
Office supplies	2.98	3.06	3.33	3.12
Total	8.28	8.50	9.28	8.68
Services hired:				
Transportation	4.49	4.76	4.93	4.73
Other services	7.45	7.50	8.15	7.70
Total	11.94	12.26	13.08	12.43
Value added:				
Wages	4.84	5.13	5.77	5.25
Salaries	2.08	2.20	2.47	2.25
Capital costs	2.38	2.52	2.84	2.58
Rent	.94	1.00	1.12	1.02
Taxes	1.42	1.50	1.69	1.54
Net profit	5.14	3.83	2.97	3.98
Total	16.80	16.18	16.86	16.62

Source: Lobster Sub Board of the Northeast Marine Fisheries Board, Draft American Lobster Fishery Management Plan, June 1978.

The Canadian industry

American lobsters rank first in value of all species landed on the Canadian Atlantic coast, and second only to salmon for all of Canada. According to Hasselback, 20,418 Canadians were engaged in lobster fishing on about 10,000 boats, in 1973. Gross returns varied widely within a district with roughly half of the vessels grossing less than $2,000 in 1971, before accounting for expenses. Most Canadian lobstermen are part-timers with few employment opportunities available outside of fishing. Most American lobsters are caught by inshore lobster traps. Offshore lobster fishing, which began in 1971, accounted for about 5 percent of total landings in 1976. [1]

There is no clear trend in quantity of Canadian landings of American lobsters in the past 5 years. Landings increased from 31 million pounds in 1974 to 39 million pounds in 1975, and subsequently declined to 34 million pounds in 1977. In January-October 1978, 33 million pounds were landed. By comparison, U.S. landings of American lobsters increased from 29 million pounds in 1974 to 32 million pounds in 1977. The average unit ex-vessel value of lobsters landed in Canada increased from $1.21 Canadian in 1974 to $1.65 Canadian in January-October 1978 (table 37).

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[1] Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Table 37.—American lobsters: Canadian landings, 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 Canadian dollars	Per pound
1974	31,388	37,963	$1.21
1975	38,557	48,379	1.25
1976	35,448	46,047	1.30
1977	33,664	44,016	1.31
January-September—			
1977	24,252	32,874	1.36
1978	33,428	55,252	1.65

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

The Canadian lobster fishery is centered in the Maritime Provinces. In 1976, 12.6 million pounds were landed in Nova Scotia, 8.5 million pounds in Prince Edward Island, and 6.0 million pounds in New Brunswick. Smaller lobster fisheries are also located in Newfoundland and Quebec. The most profitable lobstering areas are in the Bay of Fundy and off the southeastern coast of Nova Scotia. Prices tend to be 40 to 70 percent higher in these areas than elsewhere in Canada. Because of the favorable water conditions, most of the lobsters caught in Canada grow large enough to be marketed fresh or frozen in the shell. Fresh or whole frozen lobsters bring higher prices than canned lobster meat.

The Canadian lobster stocks, according to the official Canadian projections, are in a precarious state. The major lobster fishing grounds off Nova Scotia and in the southern Gulf of St. Lawrence have been subjected to excessive increases in fishing effort. The increased effort, combined with widespread poaching, environmental problems, and ineffective regulations on minimum legal sizes, have created the potential for a collapse of this stock. According to these sources, only through increasing and enforcing the minimum size and reducing considerably the fishing effort can the lobster catch fluctuations be reduced and some increase in the stocks be anticipated.

Canada imports about 5.5 million pounds of lobsters annually. The largest suppliers are Cuba and the United States, which together shipped 87 percent of total Canadian imports of fresh and frozen lobster in 1976. Canada imported 2 million pounds of fresh and frozen lobster from Cuba, presumably the spiny lobster, valued at $10.9 million Canadian in 1976, while imports from the United States were 2.9 million pounds valued at $9.7 million Canadian (table 38).

Table 38.--Lobsters: Canadian imports by principal sources, 1974-76

Source	1974	1975	1976
	Quantity (1,000 pounds)		
United States	2,165	2,745	2,881
Cuba	1,958	1,343	1,973
All other	284	555	710
Total	4,407	4,643	5,564
	Value (1,000 Canadian dollars)		
United States	5,253	7,966	9,724
Cuba	7,581	5,846	10,887
All other	1,011	2,073	2,790
Total	13,845	15,885	23,401
	Unit value (per pound)		
United States	$2.43	$2.90	$3.38
Cuba	3.87	4.35	5.52
All other	3.56	3.74	3.93
Total	3.14	3.42	4.21

Source: Canadian Department of Fisheries and Environment.

Exports of American lobsters in the shell from Canada increased from 15.9 million pounds in 1974 to 16.5 million pounds in 1975 and declined to 16.2 million pounds in 1976, the most recent years for which data are available (table 39). Over 90 percent of total Canadian exports of lobsters in the shell are exported to the United States. During the 3 years for which data are available, the average unit value per pound of Canadian exports to the United States increased from $1.73 Canadian in 1974 to $2.16 Canadian in 1976, representing an increase of 25 percent.

Table 39.--American lobsters in the shell: Canadian exports to principal markets, 1974-76

Source	1974	1975	1976
	Quantity (1,000 pounds)		
United States	14,559	15,075	14,656
All other	1,374	1,464	1,517
Total	15,933	16,539	16,173
	Value (1,000 Canadian dollars)		
United States	25,211	29,344	31,660
All other	3,054	3,998	4,839
Total	28,265	33,342	36,499
	Unit value (per pound)		
United States	$1.73	$1.95	$2.16
All other	2.22	2.73	3.19
Total	1.77	2.02	2.26

Source: Canadian Department of Fisheries and Environment.

In recent years Canadian imports of American lobsters from the United States have amounted to about 12 percent of Canadian consumption, while Canadian exports (largely to the United States) have accounted for nearly half of the Canadian catch (table 40).

Table 40.--American lobsters in the shell: Canadian landings, imports, exports, and apparent consumption, 1974-76

Year	Canadian landings	Canadian imports 1/	Canadian exports	Canadian apparent consumption	Ratio of imports to consumption	Ratio of exports to landings
	1,000 pounds product weight				Percent	
1974	31,388	2,165	15,933	17,620	12.3	50.8
1975	38,557	2,745	16,539	24,763	11.1	42.9
1976	35,448	2,881	16,173	22,156	13.0	45.6

1/ Imports from the United States only. Other Canadian imports consist largely of spiny lobsters from Cuba and other sources.

Source: Compiled from data presented in tables 37, 38, and 39 of this report.

Canadian landings of lobsters have fluctuated sharply in recent years in comparison with U.S. landings, as shown in table 41. Canadian landings during 1974-77 accounted for about 55 percent of total U.S. and Canadian landings.

Table 41.--American lobsters: U.S. and Canadian landings, 1974-77

Year	U.S. landings	Canadian landings	Total U.S. and Canadian landings	Ratio of U.S. landings to total U.S. and Canadian landings
	1,000 pounds product weight			Percent
1974	28,543	31,388	59,931	47.6
1975	30,200	38,557	68,757	43.9
1976	31,741	35,448	67,189	47.2
1977	31,708	33,664	65,372	48.5

Source: Compiled from data presented in tables 34 and 37 of this report.

U.S. imports of live American lobsters

Approximately 100 percent of U.S. imports of live American lobsters are from Canada. Imports from Canada increased from 14.2 million pounds in 1974 to 15.0 million pounds in 1975, and subsequently declined to 14.4 million pounds and 12.2 million pounds in 1977 and 1978, respectively. Imports from Canada have declined by 19 percent from 1975 to 1978. The average unit values of these imports, however, have increased steadily from $1.77 a pound in 1974 to $2.43 a pound in 1978, representing an increase of 37 percent, as shown in table 42.

Table 42.--Live lobsters (TSUSA item 114.4520): U.S. imports for consumption, by principal sources, 1974-78

Source	1974	1975	1976	1977	1978
	Quantity (1,000 pounds product weight)				
Canada	14,250	15,003	14,907	14,427	12,202
All other	327	265	352	304	284
Total	14,577	15,268	15,259	14,731	12,486
	Value (1,000 dollars)				
Canada	25,179	28,770	32,120	31,351	29,637
All other	607	318	522	482	508
Total	25,786	29,088	32,642	31,833	30,145
	Unit value (per pound)				
Canada	$1.77	$1.91	$2.15	$2.17	$2.43
All other	1.98	1.20	1.48	1.59	1.79
Average	1.77	1.91	2.14	2.16	2.41

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports from Canada, as shown by table 43, remained about constant at about 33 percent to 35 percent of apparent U.S. consumption during 1974-77.

According to a report prepared by Robert L. Dow, Frederick W. Bell, and Donald M. Harriman, 1/ a 10 percent increase in lobster prices will reduce per capita consumption by roughly 3 percent. However, a 10 percent increase in per capita income would increase per capita consumption by about 17 percent. The consumer demand analysis for lobster, this report continued, indicates that despite rising lobster prices, per capita consumption has increased owing to the rise in per capita income. This increasing demand, the study concluded, provided a strong economic incentive to expand the domestic lobster fisheries.

Prices

In general, ex-vessel and wholesale prices vary by season and size of lobster. Lobster prices peak in the winter months and are at their lowest in August and September. Maine lobster dealers base their prices on the Boston market. The price on a given day could vary 10 cents to 20 cents a pound in different locations in Maine.

1/ Robert L. Dow, Frederick W. Bell, and Donald M. Harriman, Bioeconomic Relationships for the Maine Lobster Fishery with Consideration of Alternative Management Schemes, NMFS report SSRF-683, March 1975.

Table 43.—Live American lobsters: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1974-77

Period	U.S. landings	U.S. imports			U.S. exports 1/	Apparent consumption	Ratio to apparent consumption of imports from—		
		From Canada	From all other sources	Total			Canada	All other sources	All sources
	1,000 pounds						Percent		
1974	28,543	14,250	327	14,577	2,165	40,955	34.8	0.8	35.6
1975	30,200	15,003	265	15,268	2,745	42,723	35.1	.6	35.7
1976	31,741	14,907	352	15,259	2,881	44,119	33.8	.8	34.6
1977	31,708	14,427	304	14,731	2/ 2,885	43,554	33.1	.7	33.8

1/ Compiled from data published by the Canadian Fisheries Board.

2/ Estimated as 9.1 percent of U.S. landings, the share accounted for by exports in 1975 and 1976.

Source: Compiled from data presented in tables 34, 38, and 42, except as noted.

Yearly average ex-vessel prices have increased 45 percent from 1974 to 1978 as shown in the following tabulation.

	Index of ex-vessel prices of American lobsters (1967=100)
1974	182.6
1975	206.0
1976	216.3
1977	245.1
1978 1/	265.2

1/ Estimated by the U.S. Department of Commerce.

Average yearly wholesale prices for 1-1/4 pound live American lobsters out of New York increased 39 percent over the same period as shown in the following tabulation.

	Wholesale price index (1967=100)
1974	178.8
1975	196.4
1976	209.4
1977	229.0
1978 1/	247.7

1/ Estimated by the U.S. Department of Commerce.

Different sized lobsters command different prices per pound at the market. The smallest legal-size lobsters, known as chicken lobsters, weigh about 1 pound and are the least valuable per pound. Prices increase with the size of the lobster until a threshold size of about 3 pounds is reached. Above this size, the lobster is too big to serve easily without waste, and the price per pound decreases somewhat.

The Commission has information which indicates that although Canadian lobstermen receive bounties and grants, the ex-vessel prices of lobsters in Canada often exceeded or matched U.S. ex-vessel prices. In 7 months of 1978, for example, the weighted average ex-vessel prices of lobsters landed in Maine were lower than or were within the range of prices landed in major ports in Canada. In only 4 months, March, May, June, and October, were Canadian ex-vessel prices lower than Maine ex-vessel prices. In July 1978, the major Canadian lobster fishing grounds were closed, and no price quotations are available (table 44).

Table 44.--American lobsters: U.S. and Canadian ex-vessel prices, by months, 1975-78

(Per pound) 1/

Item	January	February	March	April	May	June	July	August	September	October	November	December
United States: 2/												
1975	$1.61	$2.00	$2.30	$2.25	$1.69	$1.86	$1.71	$1.63	$1.46	$1.52	$1.53	$1.57
1976	2.24	2.47	2.80	2.10	1.67	1.72	1.52	1.36	1.34	1.43	1.58	1.80
1977	2.95	3.01	2.92	1.89	1.77	1.91	1.59	1.65	1.47	1.55	1.84	2.57
1978	2.79	3.03	3.26	2.89	2.12	2.14	2.19	1.50	1.45	1.54	1.77	3/ 2.66
Canada: 4/												
1975	1.51-1.76	1.60-1.80	1.95-2.00	1.98-2.47	1.46-1.56	1.07-1.56	1.41-1.55	1.21	1.22	1.22	1.58-1.63	1.58-1.78
1976	1.99-2.38	2.01-2.42	2.43-2.79	1.78-2.80	1.12-1.53	1.28-1.69	5/	1.27	1.44-1.49	1.49	1.83	1.77-3.04
1977	2.97-3.07	2.92-3.16	1.90-3.09	1.43-1.90	1.05-1.67	1.18-1.42	1.41-1.65	5/	5/	5/	1.80-2.07	2.55-2.78
1978	2.72-3.31	3.01-3.14	3.02-3.11	1.75-3.07	1.39-1.79	1.52-1.78	5/	1.53	1.20-1.50	1.48	2.56	2.97-3.18

1/ All prices in U.S. dollars.
2/ Weighted average in Maine.
3/ Preliminary.
4/ Range of weekly weighted averages of principal Canadian ports.
5/ Major Canadian lobster grounds are closed.

Source: Compiled from official statistics of the U.S. Department of Commerce and statistics supplied by counsel for the American Seafood Distributors Association.

In November and December 1978, Canadian ex-vessel prices were significantly higher than Maine weighted average ex-vessel prices. In November, Canadian ex-vessel prices averaged $2.56 a pound, or 45 percent higher than the Maine weighted average ex-vessel price of $1.77 a pound. In December, Canadian ex-vessel prices ranged from $2.97 a pound to $3.18 a pound while the Maine weighted average ex-vessel price was only $2.66 a pound--12 percent to 20 percent lower than the Canadian prices. Witnesses at the Commission's hearing attributed the difference in ex-vessel prices, in part, to Canada's increased exploitation of the growing European market for American lobsters. 1/

While Canadian and U.S. lobsters command the same prices in the U.S. market place, monthly average prices are influenced directly by fluctuations in (1) quantities of lobsters imported from Canada, (2) quantities of lobsters landed in the United States, (3) quantities held in Canadian and U.S. lobster pounds, and (4) changes in the seasonal demand for lobsters.

To determine the effect of Canadian imports on the U.S. ex-vessel price, Hasselback, a scholar from the University of Rhode Island, who has extensively studied the American lobster industry, 2/ employed a multiple regression analysis, using the ex-vessel price as the dependent variable and Canadian imports and U.S. landings of live lobsters as independent variables. The results of Hasselback's study indicate that both independent variables exhibited negative coefficient signs, and both proved to be statistically significant at the 5 percent level using the t-value test. Therefore, the study concludes, an increase in imports of live lobsters from Canada, for the years 1974 through 1977, significantly decreased the U.S. ex-vessel price of American lobsters.

The effects of imports from Canada and U.S. landings on the ex-vessel prices, Hasselback argues, must be seen on a monthly basis to understand the significance of each, because of the vast seasonal fluctuations of the fishery. In the beginning of the year supply is low and prices peak. Imports from Canada, consisting principally of pound lobsters account for 71 percent of the total supply in January, February, and March.

The most significant effect of imports from Canada on the ex-vessel price, Hasselback argues, is seen in April and May when the price plummets while the U.S. supply is only slowly beginning to increase. The Canadian lobster season, Hasselback states, begins to open in April; the ice has melted and prices in the major lobster market, the United States, are high. The eastern Nova Scotia season opens April 10 and the fishing effort increases from zero to nearly 100 percent overnight. In 1977, Hasselback's report notes, the Boston ex-vessel price was $4.25 per pound on Friday, April 14. The Nova Scotian lobsters, her report continues, hit the Boston market by Monday, April 17, causing the price to fall to $3.80 per pound and by the following Friday the price reported by the Boston blue sheet was $2.60 per pound. The trend, the report states, has been the same for the past 5 years.

1/ Hearing transcript p. 110.

2/ Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

On a local basis, the report also shows that the ex-vessel price at the Point Judith Fishermen's Cooperative Association was $3.40 per pound on April 12, 1977, and fell to $2.70 per pound by April 19. The lobstering season in the Newfoundland districts, Hasselback's report relates, opens April 20, providing another major supply, followed by openings around Prince Edward Island and Cape Breton in May.

Not until June, Hasselback claims, do U.S. landings exceed the supply of imports from Canada. The summer tourist season, she believes, begins a period of high demand for lobsters in the United States and imports from Canada steadily decline as U.S. landings increase. At times throughout the summer, according to this report, imports from Canada command higher prices than U.S. landed lobsters because the shells of the pound lobsters have been allowed to harden and thus yield a higher percentage of meat.

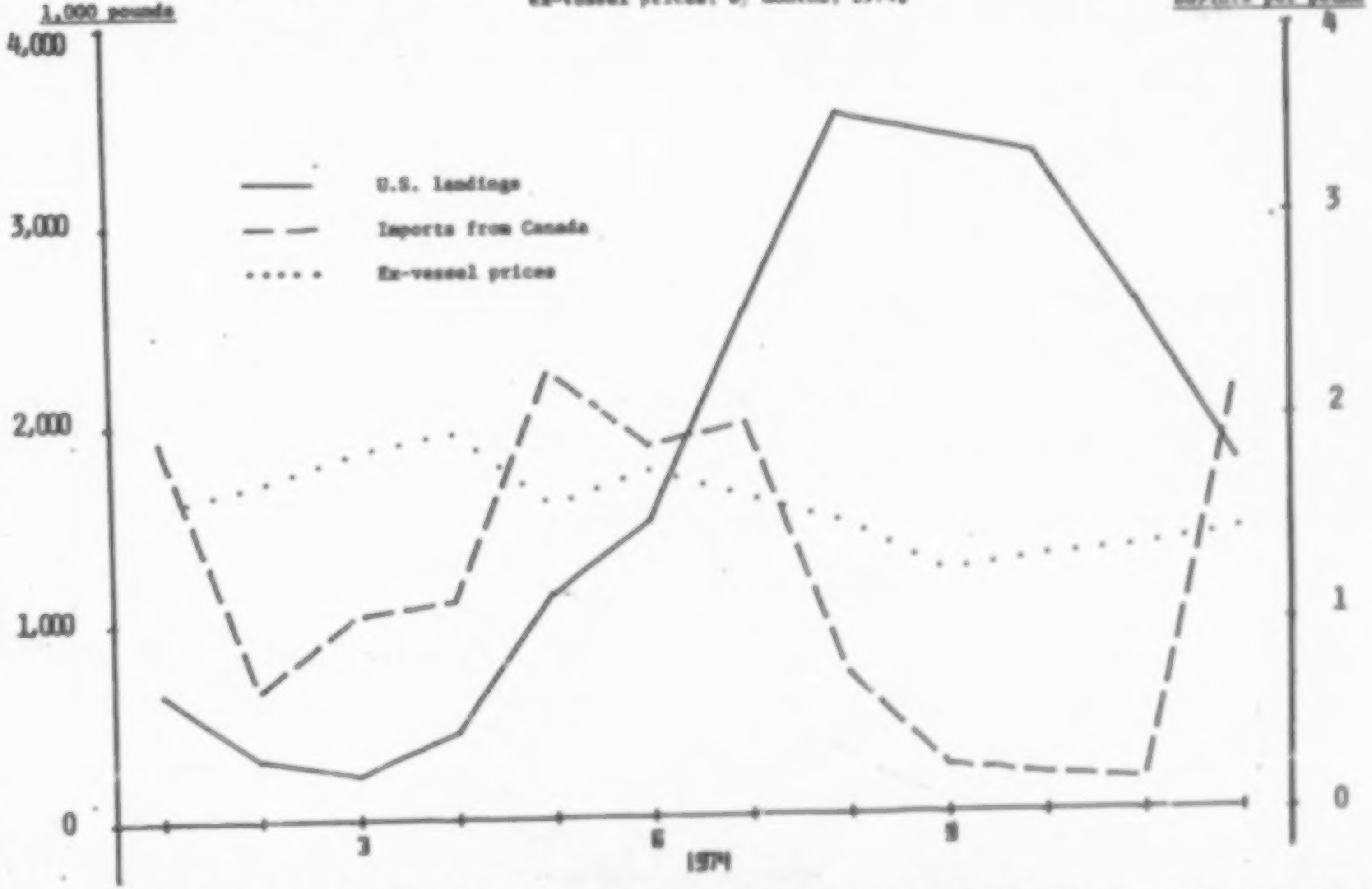
Most Canadian lobster fishing seasons close in July, the report continues, just as U.S. landings begin to peak and demand from summer tourists starts to slacken causing prices to decline. In October, the Bay of Fundy lobster fishing season opens and Canadian landings increase significantly; however, Hasselback claims, these lobsters are not exported and instead are held in pounds because prices and demand are low. U.S. landings sharply decline until February. The southern Nova Scotia lobstering season opens at the end of November in time to meet the Christmas season demand and take advantage of high prices. In December, according to Hasselback, imports from Canada increase substantially and, in addition, large quantities of Canadian lobsters are pounded in anticipation of high early spring prices.

Figures 3, 4, 5, and 6, prepared, by Hasselback, relate U.S. landings and imports from Canada with U.S. ex-vessel prices, for 1974, 1975, 1976, and 1977, respectively.

According to Hasselback, the Canadian Government restricts lobster fishing seasons solely to maximize prices received by Canadian lobstermen. According to the Marine Fisheries Board, however, Canadian imports of live American lobsters, exert a powerful stabilizing force on the market and assure a stable market environment for domestic producers. In addition, an official of the Maine Department of Marine Resources, has informed the Commission that Canada has set its seasons so that they would have minimal impact upon the U.S. lobster industry.

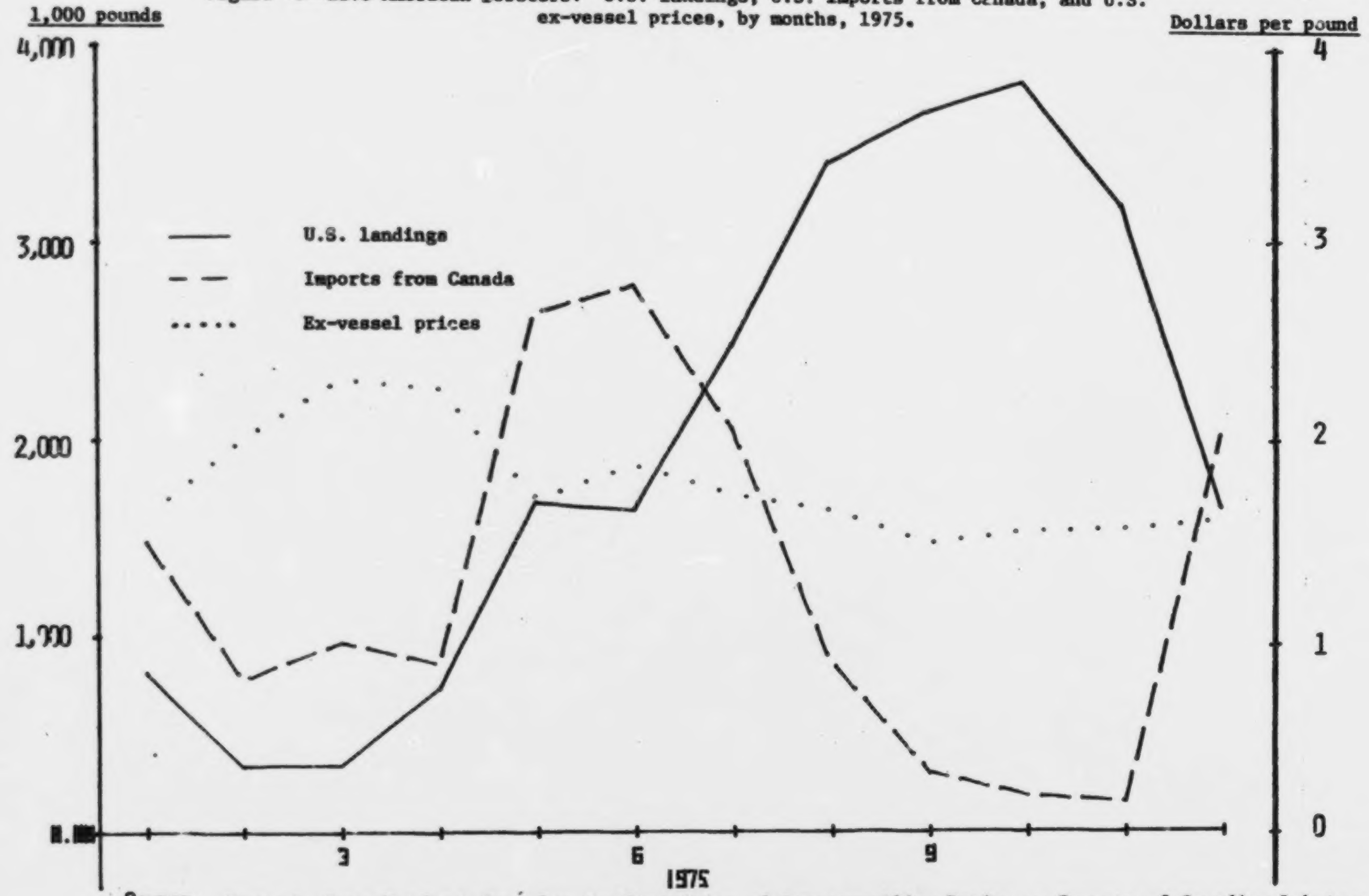
Officials at the NMFS, individual lobstermen, and officials at various lobstermen's association have told the Commission's staff that the imposition of a tariff equivalent to the bounty or grant of 1.08 percent will have no effect upon the lobster industry, in general, or upon U.S. lobstermen, in particular. Vinal Look, Commissioner of the Maine Department of Marine Resources, has reported that, "Canadian subsidies have had a minimal impact upon the Maine lobster industry."

Figure 3.--Live American lobsters: U.S. landings, U.S. imports from Canada, and U.S. ex-vessel prices, by months, 1974.



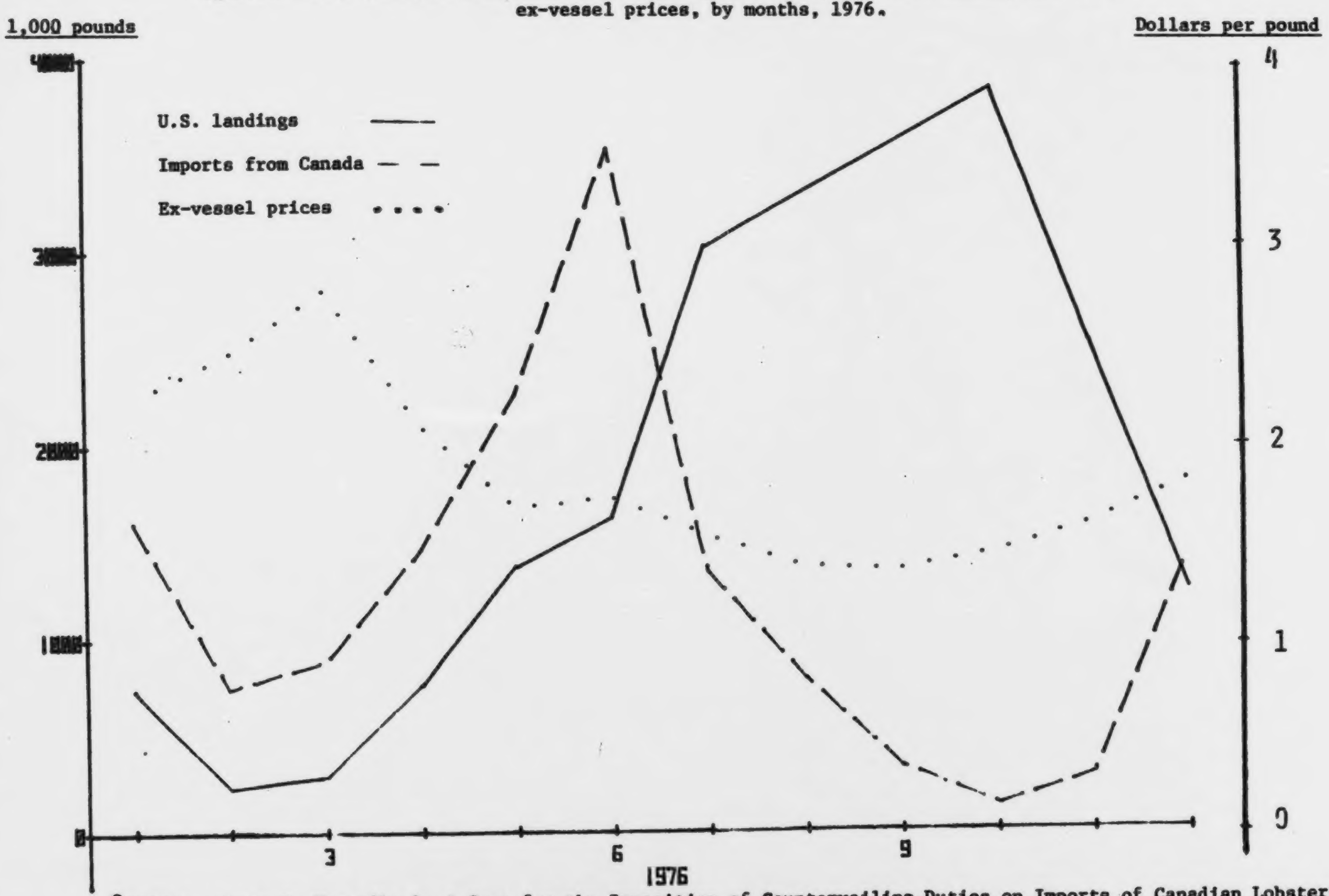
SOURCE: Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Figure 4.--Live American lobsters: U.S. landings, U.S. imports from Canada, and U.S. ex-vessel prices, by months, 1975.



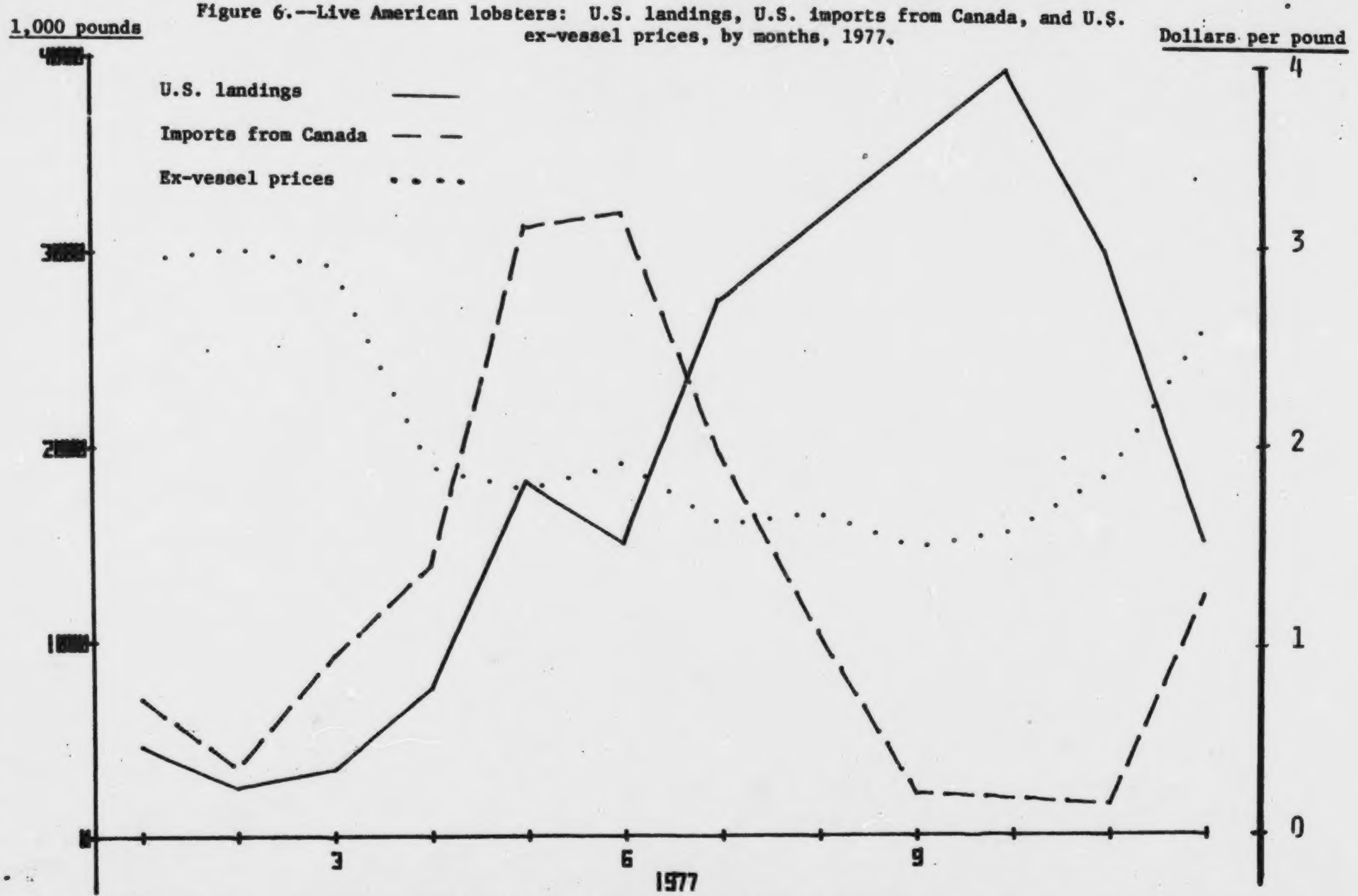
SOURCE: Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Figure 5.--Live American Lobsters: U.S. landings, U.S. imports from Canada, and U.S. ex-vessel prices, by months, 1976.



SOURCE: Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Figure 6.--Live American lobsters: U.S. landings, U.S. imports from Canada, and U.S. ex-vessel prices, by months, 1977.



SOURCE: Nancy L. Hasselback, A Case for the Imposition of Countervailing Duties on Imports of Canadian Lobsters, a paper submitted to the Marine Affairs Program, University of Rhode Island, May 1978.

Scallops

Introduction

Three types of scallops are harvested commercially in the United States: sea, bay, and calico. The sea scallop is the most important fishery, accounting for 74.4 percent of the total 1975 scallop landings and 80.6 percent of the value, calculated using ex-vessel prices. Sea scallops are mollusk shellfish which usually live on gravel beds, sand, or pebbles mixed with shells. Adult scallops are basically sedentary bottom dwellers, though they can swim short distances by flexing their shells together. While individual scallops are mobile, tagging experiments indicate that populations do not migrate. The sea scallop has a pair of saucer-shaped shells and grows as large as 8 inches in diameter.

Sea scallops are found primarily along the Continental Shelf from southern Labrador to the mouth of Chesapeake Bay. Georges Bank, located off the coast of New England (fig. 7), is the major North Atlantic production area, accounting for about two-thirds of U.S. sea scallop landings in the past 3 decades. Massachusetts is the leading State in the sea scallop fishery with more than half of the recorded landings in 1975. The sea scallop fishery in 1973 ranked ninth in value among U.S. Atlantic coast fisheries. In addition to the Atlantic fishery, there is a small sea scallop fishery off the coast of Alaska.

Bay scallops are less plentiful. They are found mainly on grassy bottoms of shallow bays and estuaries from Cape Cod, Mass. to the Gulf of Mexico in 1- to 50-foot depths. Their maximum size is about 3 inches in diameter. The calico scallop is found along the Atlantic coast, from slightly north of Cape Hatteras to Florida and along the Gulf coast as far as Mexico. It is closely related to the bay scallop although slightly larger and acquires the name "calico" from the mottled or calico appearance of the shells.

Bay and calico scallops are specialty scallops usually sold fresh to the adjacent coastal communities at premium prices. Generally not considered a substitute for sea scallops, bay and calico scallops are listed separately on restaurant menus. Canada produces and exports only sea scallops. For these reasons, this section of the report focuses on sea scallops.

Research-vessel surveys were conducted by the NMFS in 1975 and 1977 to evaluate, for both Georges Bank and the mid-Atlantic region, the relative abundance, population composition, and incoming recruiting year-class strength of sea scallops. The 1975 results indicate that the 1972 year-class was a very strong one in almost all major fishing areas, both on Georges Bank and in mid-Atlantic regions. The 1977 results further corroborate the strength of the 1972 year-class. The results of the 1977 survey, however, also imply that recruitment of the 1973 and 1974 year-classes was fair and poor, respectively. Since catches between 1975 and 1977 doubled and tripled in most of the major fishing areas and recruitment prospects are poor, the NMFS surveys conclude that the present high catch levels cannot be sustained without greatly depleting the scallop populations. This is particularly true in the mid-Atlantic and in the South Channel area of Georges Bank. Abundance of scallops according to these surveys is expected to decline sharply in these

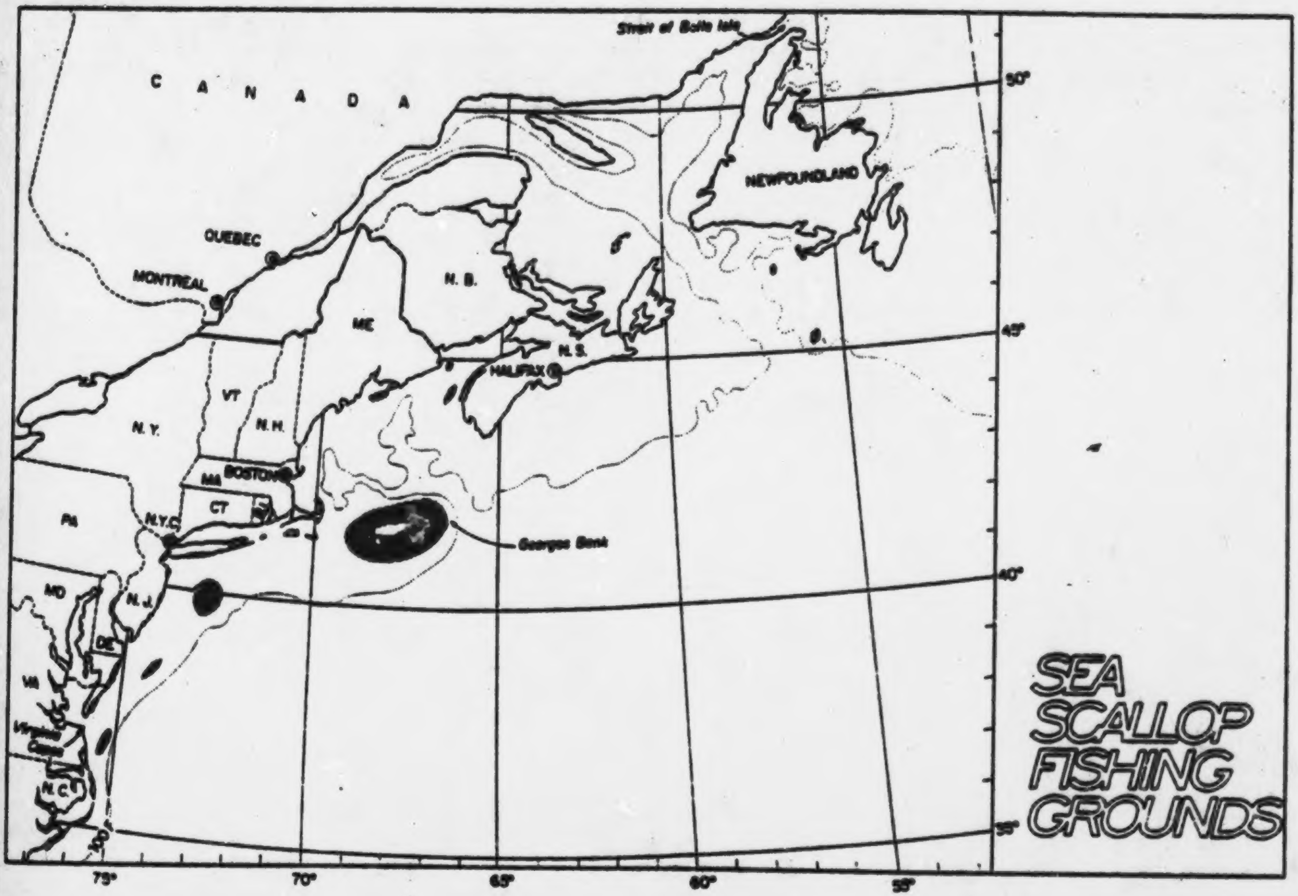


Figure 7. Major sea scallop fishing grounds in the Northwest Atlantic.

Source: U.S. Department of Commerce.

regions as the 1972 and 1973 year-classes are fished out. Officials at the NMFS predict that the next couple of years will be very hard on the U.S. scallop industry. They predict a short-term decline in the scallop stock and a concomitant decline in U.S. landings.

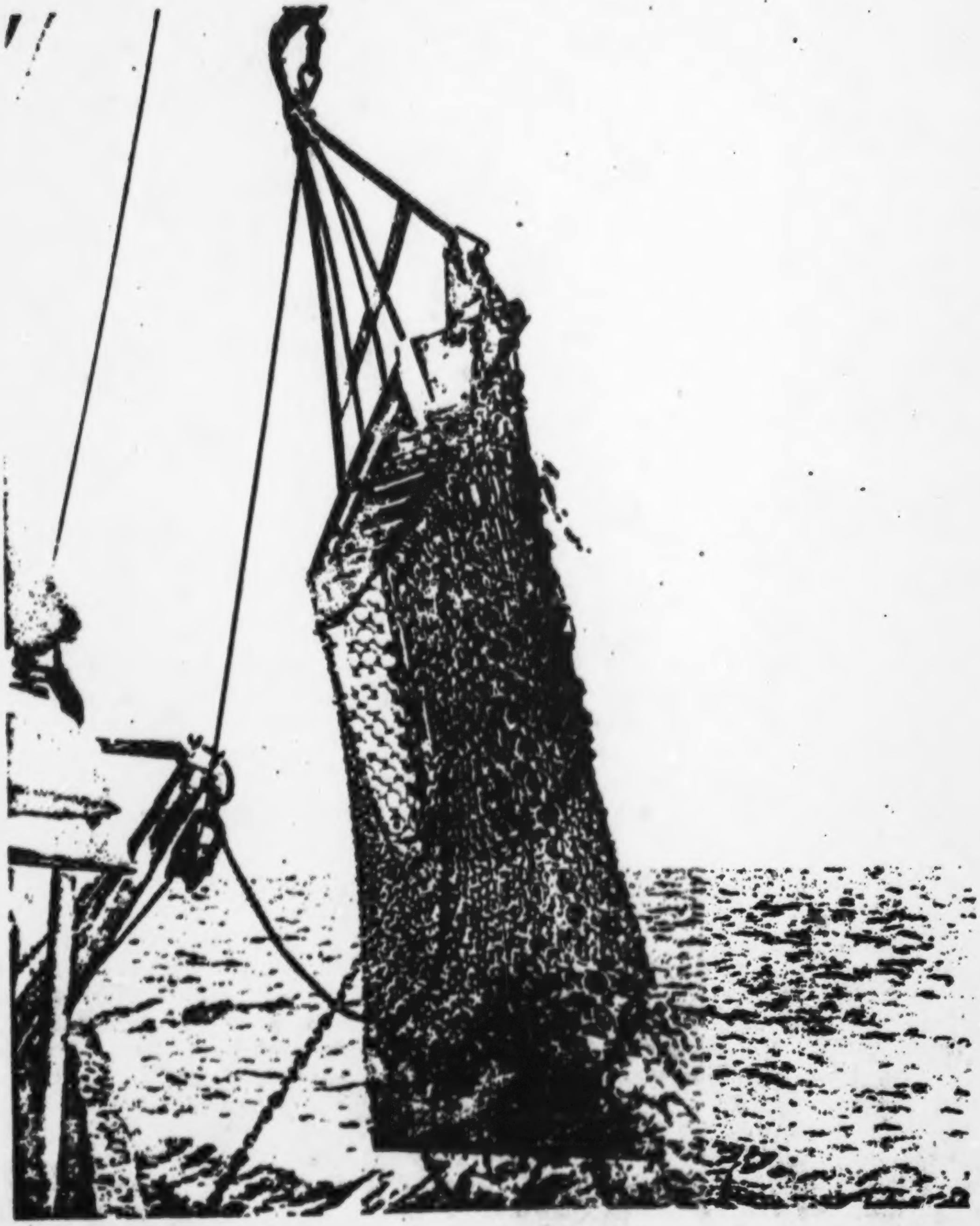
Long-term predictions of the scallop stocks, according to the NMFS, are difficult. Successful spawning seems to depend upon water temperature and water currents. Since sea scallop larvae are pelagic, it is highly unlikely, if not impossible, that the progeny of any given sea scallop aggregation will settle out of the plankton among their parents or even in the near vicinity. One exception to this rule may be Georges Bank which may, in some years, retain the larvae within the gyre long enough for metamorphosis to be completed. Once beds are formed, however, locational changes of sea scallops are small. The sea scallop usually rests on the bottom of the sea without much migration.

Vessels used in harvesting sea scallops are mostly medium to large draggers of 50 to 200 gross tons. Each vessel is equipped with two 11, 13, or 16-foot-wide iron dredges with 3-inch rings. The two dredges are dragged simultaneously across the ocean floor, they are brought up one at a time, and the contents of each dredge are dumped on board the vessel. In the United States only a portion of the sea scallop meat, the adductor muscle, is marketed. The sea scallop is extremely perishable out of water and dies within several hours of being caught. Therefore, it is generally shucked on board the vessel. The crewmen pick the sea scallops of marketable size out of the contents of the dredges. They then use special knives to pry open the two shells of the sea scallop and cut away the edible adductor muscle or "meat." What remains of the sea scallop--that is, all except the edible portion--is discarded overboard, and the meats are washed and packed in bags holding 40 pounds of meats, which are then placed on ice. Each New Bedford vessel carries 8 to 11 men and averages 20 to 25 trips per year, with each trip lasting 8 to 10 days. There is no standard design for a dredge; each fisherman modifies the basic design to meet his own needs. A typical offshore sea dredge is shown in figure 8. The basic dredge design, although old, is considered fairly efficient.

The proposed U.S.-Canadian fishery accord

According to a preliminary draft of the forthcoming U.S.-Canadian fishery treaty, only 26 percent of the scallop quota in Georges Bank will go to U.S. fishermen and 74 percent will go to Canadian fishermen. Although the quotas have not yet been established, U.S. scallop fishermen are apprehensive. Until the 1950's, 100 percent of the scallops from Georges Bank were fished by the U.S. fishermen. Because of a variety of circumstances, including the buildup of the Canadian fleet with Canadian Government subsidies in the late 1950's, and the temporary shift of the U.S. fishing effort to the mid-Atlantic since 1967, the U.S. share of the Georges Bank catch has declined to roughly 25 percent since 1970 (table 45 and fig. 9). Because of the proposed new quotas the U.S. scallop fishermen fear that when the mid-Atlantic catch becomes exhausted, they will not be able to profitably return to Georges Bank.

Figure 8.--SEA SCALLOP DREDGE.



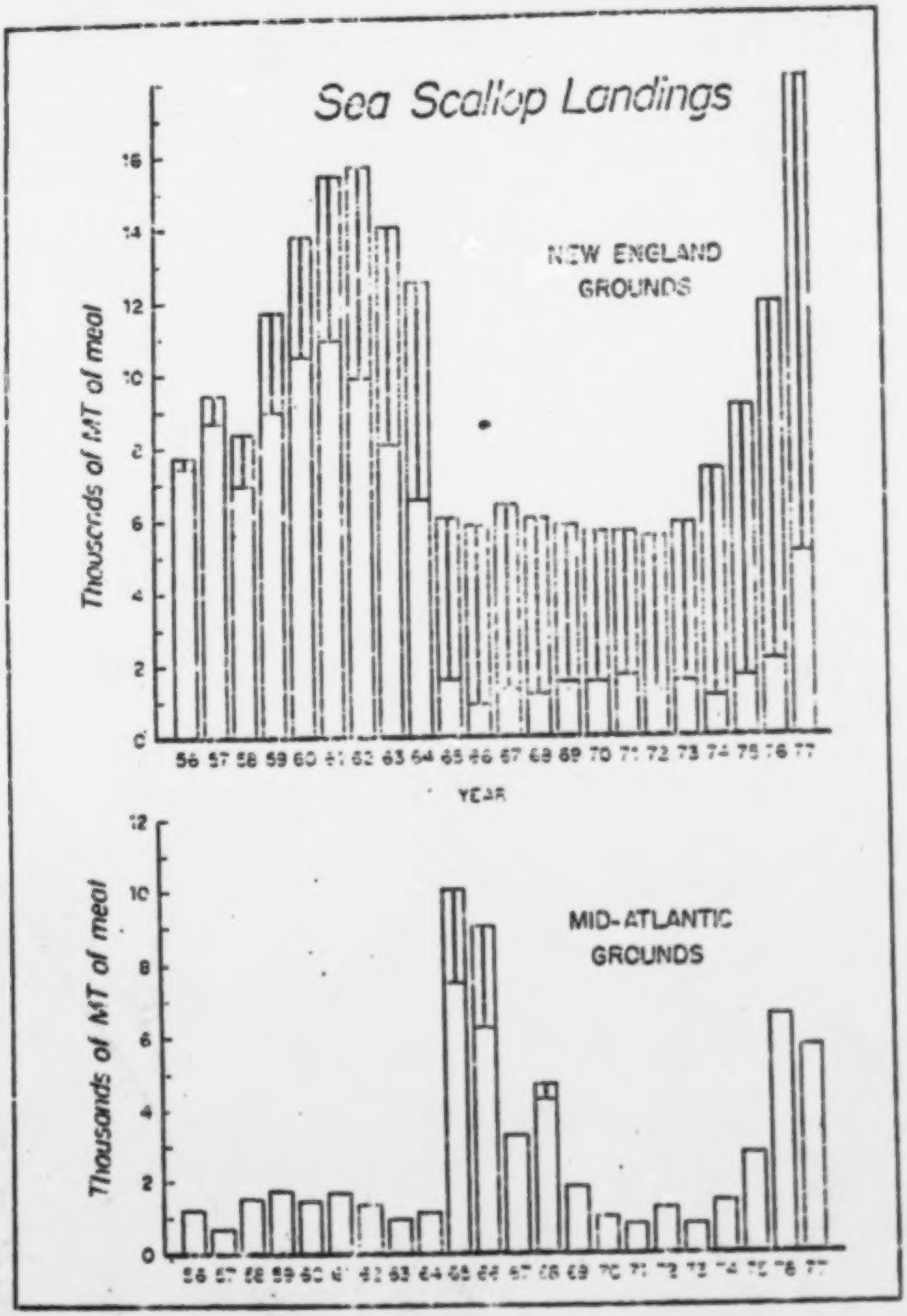
Source: U.S. General Accounting Office, The U.S. Fishing Industry: Present Condition and Future of Marine Fisheries.

Table 45.--Sea scallops: U.S. and Canadian landings from Georges Bank, 1944-77

Year	United States		Canada		Total
	Quantity	Percent of total	Quantity	Percent of total	
	Metric tons	Percent	Metric tons	Percent	Metric tons
1944	1,814	100	0	-	1,814
1945	1,769	100	0	-	1,769
1946	4,036	100	0	-	4,036
1947	4,853	100	0	-	4,853
1948	4,580	100	0	-	4,580
1949	5,306	100	0	-	5,306
1950	5,442	100	0	-	5,442
1951	5,714	98	91	2	5,805
1952	5,488	98	91	2	5,579
1953	7,392	98	136	2	7,528
1954	7,029	99	91	1	7,120
1955	8,299	98	136	2	8,435
1956	7,937	96	317	4	8,254
1957	7,846	91	771	9	8,617
1958	6,531	85	1,179	15	7,710
1959	8,481	81	1,950	19	10,431
1960	9,932	74	3,401	26	13,333
1961	10,660	70	4,580	30	15,240
1962	9,690	63	5,669	37	15,359
1963	7,910	57	5,941	43	13,851
1964	6,296	51	5,986	49	12,282
1965	1,509	25	4,580	75	6,089
1966	892	16	4,853	84	5,745
1967	1,229	20	5,034	80	6,263
1968	1,049	18	4,807	82	5,856
1969	1,343	24	4,354	76	5,697
1970	1,421	26	4,036	74	5,457
1971	1,336	25	3,946	75	5,282
1972	823	17	4,146	83	4,969
1973	1,083	20	4,208	80	5,291
1974	930	13	6,115	87	7,045
1975	907	11	7,387	89	8,294
1976	1,780	15	9,726	85	11,506
1977	4,816	27	13,053	73	17,869

Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 9.--Total reported USA and Canadian commercial sea scallop landings (metric tons, meats) from Georges Bank (New England) and mid-Atlantic grounds, 1956-77



Source: U.S. Department of Commerce.

Note.--The upper lined portions of the bars represent Canadian landings.

Vessels and employment

Although in past years many of the vessels used in the harvesting of sea scallops could quickly and economically be converted into trawlers for groundfish and back to scallopers again to accommodate changing fishing and marketing conditions, the cost of each conversion today ranges from $75,000 to $100,000 dollars.

Since 1972 the number of sea scallop dredgers has increased substantially; most of the additions to the U.S. sea scallop fleet are brand-new vessels of over 150 tons that cost from $350,000 to $900,000 each. In 1974, in New Bedford, Mass., the most important sea scallop port, there were about 12 sea scallop dredgers left in the fleet. At the present time there are approximately 40 scallopers in New Bedford, 10 of which are new vessels that have been delivered since 1977. At least two more new scallopers will be delivered in New Bedford this year. The total number of sea scallop dredgers over 5 gross tons in New England is shown in the following tabulation:

	Number of scallop dredgers in New England over 5 tons
1970	38
1971	40
1972	37
1973	42
1974	31
1975	31
1976	46
1977	105
1978 1/	115

1/ Estimated by the U.S. International Trade Commission.

In January 1979, there were also 39 full-time and 10 half-time scallop vessels in operation fishing out of Virginia. In addition, there are numerous smaller vessels that fish for scallops each year.

The new investment in the sea scallop industry was given impetus by the abundance of the 1972 year-class and by the extension of the territorial sea. Scallop fishermen, however, have reported to the Commission's staff that the new boat construction may have been too hasty. Landings per vessel have declined, while the proposed scallop fishery management plan will decrease rather than increase the scallops available to the U.S. scallop fishermen for harvesting.

Dredge crews work under a lay system which stipulates, in general, that a predetermined percentage of the gross value of the catch remaining after shared expenses are paid, be paid to the crew with the remainder going to the vessel owner. Salaries for deckhands, as reported to the Commission, range from $20,000 to $40,000 a year. While most vessels are owner-operated, one New Bedford scallop fisherman owns six vessels and two own three vessels. The average owner earns between $40,000 and $100,000 per year.

U.S. production

U.S. landings of scallops.--Records of sea scallop landings in U.S. ports have been maintained as far back as 1879. Until the early 1930's, the scallop fishery remained fairly small. By 1939, however, annual landings had reached about 9.9 million pounds. During the war years, landings dropped to an average of about 3.3 million pounds per year, but soon after the end of the war, the fishery began to expand again. About 6.0 million pounds were landed in 1945 and landings increased to about 19.8 million pounds in 1950. Landings remained fairly stable during the next decade. A dominant year-class was recruited to the Georges Bank fishery in late 1959, causing sharp increases in catches and landings. Landings reached a high of about 23.5 million pounds in 1961 and subsequently tapered off until 1965.

In 1965 a highly successful year-class was recruited on the mid-Atlantic grounds. This event caused many vessels, both United States and Canadian, to divert their effort from the New England grounds to the mid-Atlantic grounds. U.S. landings from Georges Bank dropped from 13.9 million pounds in 1964 to about 3.3 million pounds in 1965. Many of the U.S. vessels never returned to fish on Georges Bank and U.S. landings from these grounds still remain low with a 1965-76 average of less than 3.3 million pounds. By 1969, however, the mid-Atlantic grounds had reverted to their more normal pattern of recruitment and landings dropped to less than 4.4 million pounds a year. The 1972 year-class was highly successful both on Georges Bank and on the mid-Atlantic grounds, but the U.S. fleet did not increase its effort on Georges Bank and so showed only a modest increase in landings from there in 1975 and 1976. U.S. landings from the mid-Atlantic grounds, however, did increase sharply from about 3.5 million pounds in 1974 to 6.2 million pounds in 1975 and 14.6 million pounds in 1976.

Total U.S. landings of sea scallops, as shown in table 46 increased from 6.4 million pounds in 1974 to 25.0 million pounds in 1977, representing a three-fold increase. During January-October 1978, 25.1 million pounds of sea scallops were landed in the United States.

While landings of sea scallops nearly quadrupled during the past 5 years, the average unit ex-vessel value increased unevenly from $1.54 per pound in 1974 to $2.46 per pound during the period January-October 1978, increasing by 60 percent (table 46).

Table 46.--Sea scallops: U.S. landings 1974-77, January-October 1977, and January-October 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars	Per pound
1974	6,444	9,923	$1.54
1975	10,063	18,335	1.82
1976	19,840	35,061	1.77
1977	25,012	40,584	1.62
January-October-- 1/			
1977	20,362	33,231	1.63
1978	25,135	61,832	2.46

1/ Major ports only.

Source: Compiled from official statistics of the U.S. Department of Commerce.

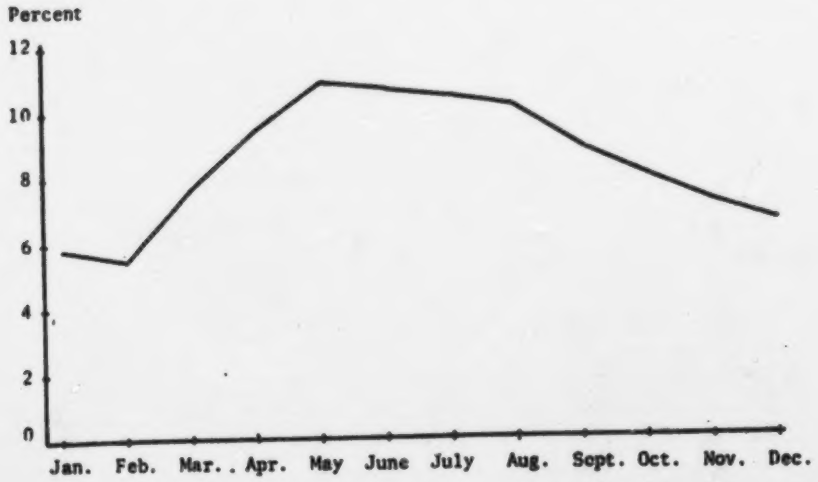
Because the rough seas in winter make the dragging operation and the shucking of sea scallops on board vessel most difficult tasks, there are fewer trips undertaken in winter. Thus, scallop landings are generally lowest in the months of December through February. The warmer months in general, and May through August in particular, are the periods of peak landings; in fact, from 1956 to 1973, at New Bedford, which accounts for the bulk of U.S. sea scallop landings, an average of 43 percent of the annual catch during 1956-73 has been landed during these 4 months (fig. 10).

U.S. freezings of scallops.--Since fresh scallops command a better price in the market place, virtually all U.S. landed scallops are sold and consumed fresh. In 1974, U.S. freezings accounted for only 9 percent of U.S. landings, and during 1975-77, freezings accounted for only about 5 percent of U.S. landings. About 90 percent of Canada scallop exports to the United States, however, are frozen. The U.S. freezings of scallops for 1974-78 are shown in the following tabulation:

	U.S. freezings of scallops (1,000 pounds product weight)
1974	572
1975	655
1976	917
1977	1,369
1978 1/	1,150

1/ Estimated by the U.S. Department of Commerce.

Figure 10.--Sea scallops: Average monthly landings at New Bedford as a percent of the total annual New Bedford landings, 1956-73.



Source: Altobello, Storey, and Conrad, The Atlantic Sea Scallop Fishery: A Description and Econometric Analysis, Massachusetts Agricultural Experiment Station, January 1977.

The Canadian industry

Canada has had a small inshore fishery for sea scallops since at least 1862, mainly in the Bay of Fundy, off Digby, Nova Scotia, and in the Gulf of St. Lawrence near Prince Edward Island. These grounds and a few others currently provide less than 1.1 million pounds of scallops per year. Canadian vessels began to fish the Georges Bank grounds in the early 1950's, but their landings remained low until about 1958. The number of Canadian vessels fishing on Georges Bank increased steadily, and by 1964 they were taking about half of all the scallops landed from these grounds in 1965 and 1966, with the U.S. sea scallopers taking the remainder. Many of these Canadian vessels shifted their efforts to the mid-Atlantic grounds in 1965 and 1966, along with most of the U.S. vessels. Unlike the U.S. vessels, however, they returned to the Georges Bank grounds in 1967 and have remained there ever since. Total Canadian landings from the mid-Atlantic grounds for the years 1967-76 averaged about 1.2 million pounds a year. During 1977, Canada landed about 28.8 million pounds from the Georges Bank grounds, which accounted for virtually all Canada's scallop landings.

Total Canadian landings from all scallop grounds increased from 14 million pounds in 1974 to 29 million pounds in 1977. Canadian landings during January-September 1978 amounted to 21 million pounds, an increase of 12 percent when compared with the corresponding period of 1977 (table 47).

Table 47.--Sea scallops: Canadian landings, 1974-77, January-September 1977, and January-September 1978

Period	Quantity	Value	Unit value
	1,000 pounds product weight	1,000 dollars 1/	Per pound 1/
1974	14,044	18,572	$1.32
1975	18,423	25,709	1.40
1976	25,741	38,881	1.51
1977	28,952	38,901	1.34
January-September-- 2/			
1977	18,389	24,150	1.31
1978	20,566	39,356	1.91

1/ Canadian dollars.

2/ Major ports only.

Source: Fisheries Statistics of Canada, Statistics Canada, Ministry of Industry, Trade, and Commerce.

Canadian landings of sea scallops, although more than doubling between 1974 and 1977, have accounted for a declining share of the combined Canadian and U.S. sea scallop harvest (table 48).

Table 48.--Sea scallops: U.S. landings and Canadian landings, 1974-77

Period	U.S. landings	Canadian landings	Total U.S. and Canadian landings	Ratio of U.S. landings to total U.S. and Canadian landings
	---1,000 pounds product weight---			Percent
1974	6,444	14,044	20,488	31.5
1975	10,063	18,423	28,486	35.3
1976	19,840	25,741	45,581	43.5
1977	25,012	28,952	53,964	46.4

Source: Compiled from data presented in tables 46 and 47 of this report.

A large proportion of the Canadian scallop harvest is exported to the United States, mostly in frozen form. The share of the Canadian harvest exported to the United States amounted to 86 percent in 1974, 81 percent in 1975, 80 percent in 1976, and 90 percent in 1977.

U.S. imports of scallops

U.S. imports of scallops, perhaps including scallops other than sea scallops from sources other than Canada, increased from 18 million pounds in 1974 to 30 million pounds in 1977 (table 49). Imports of scallops from Canada increased from 12 million pounds (67 percent of total U.S. imports) in 1974 to 26 million pounds (88 percent of total U.S. imports) in 1977 and subsequently declined to 24 million pounds (86 percent) in 1978. The average unit value of scallop imports from Canada increased from $1.62 a pound in 1974 to $1.95 a pound and $2.17 a pound in 1975 and 1976 respectively. The average unit value decreased to $1.77 a pound in 1977 and subsequently rose to $2.62 a pound in 1978.

Table 49.--Scallops, fresh, chilled, frozen, prepared, or preserved (TSUSA item 114.4537): U.S. imports for consumption, by principal sources, 1974-78

Source	1974	1975	1976	1977	1978
	Quantity (1,000 pounds product weight)				
Canada	12,117	14,976	20,542	26,172	24,333
All other	5,983	4,761	4,711	3,614	3,974
Total	18,100	19,737	25,253	29,786	28,367
	Value (1,000 dollars)				
Canada	19,670	29,139	44,543	46,442	63,871
All other	8,436	8,044	8,473	6,598	8,958
Total	28,106	37,183	53,016	53,040	72,829
	Unit value (per pound)				
Canada	$1.62	$1.95	$2.17	$1.77	$2.62
All other	1.41	1.69	1.80	1.83	2.25
Average	1.55	1.88	2.10	1.78	2.49

Source: Compiled from official statistics of the U.S. Department of Commerce.

As shown in table 50, the ratio of all imports of scallops to apparent U.S. consumption has fallen sharply despite an increase in the volume of such imports, because U.S. consumption rose at a much more rapid rate. Imports from Canada, however, accounted for a much more stable proportion of consumption during 1974-77.

Since 90 percent of the sea scallops imported from Canada are frozen, and only a small proportion of U.S. landed sea scallops are frozen, the ratio of imports to apparent U.S. consumption of frozen sea scallops is far greater than the ratios shown in table 50. Table 51 shows that the ratio of imports from Canada to apparent consumption for frozen sea scallops has remained steady at about 95 percent each year during 1974-78.

Table 50.--Sea scallops, fresh, chilled, or frozen: U.S. production, imports for consumption, and apparent consumption, 1974-77

Year	U.S. landing	U.S. imports			Apparent consumption	Ratio to apparent consumption of U.S. imports from --		
		From Canada	From all all other sources 1/	Total 1/		Canada	All other sources	All sources
	1,000 pounds					Percent		
1974	6,444	12,117	5,983	18,100	24,544	49.4	24.4	73.8
1975	10,063	14,976	4,761	19,737	29,800	50.3	16.0	66.2
1976	19,840	20,542	4,711	25,253	45,093	45.6	10.5	56.0
1977	25,012	26,172	3,614	29,786	54,798	47.8	6.6	54.4

1/ May include scallops other than sea scallops.

Source: Compiled from data presented in tables 46 and 49.

Table 51.— Frozen sea scallops: U.S. production, imports for consumption, and apparent consumption, 1974-78

Period	U.S. freezings	Imports from Canada 1/	Apparent consumption	Ratio of imports from Canada to apparent consumption
	1,000 pounds	1,000 pounds	1,000 pounds	Percent
1974	572	10,905	11,477	95.0
1975	655	13,478	14,133	95.4
1976	917	18,488	19,405	95.3
1977	1,369	23,555	24,924	94.5
1978	1,150	25,773	26,923	95.7

1/ Estimated as 90 percent of U.S. imports for consumption of all scallops from Canada, as reported by the U.S. Department of Commerce.

Source: Compiled from data presented in the tabulation on page A-77 and table 50, except as noted.

Table 52 shows that the ratio of imports from Canada of fresh sea scallops to apparent U.S. consumption of fresh sea scallops fell from an estimated 17 percent in 1974 to roughly 10 percent in 1976 and 1977.

Table 52.--Fresh or chilled sea scallops: U.S. production, imports for consumption, and apparent consumption, 1974-77

Period	U.S. landings less freezings	Imports from Canada 1/	Apparent consumption	Ratio of imports from Canada to apparent consumption
	1,000 pounds			Percent
1974	5,872	1,212	7,084	17.1
1975	9,408	1,498	10,906	13.7
1976	18,923	2,054	20,977	9.8
1977	23,862	2,621	26,483	9.9

1/ Estimated as 10 percent of U.S. imports for consumption of all scallops from Canada, as reported by the U.S. Department of Commerce.

Source: Compiled from the data presented in the tabulation on page A-77 and tables 47 and 50.

Pricing

Since most U.S. Atlantic sea scallops have historically been landed at New Bedford, Mass., this is a logical starting point for a discussion of the marketing of sea scallops. Landings or ex-vessel prices at New Bedford are determined at the local sea scallop auction which takes place 5 mornings a week. At this auction, sea scallop wholesalers and processors from New Bedford bid on the catches landed by local fishermen.

In general, two levels of the wholesale and processing segment of the Atlantic sea scallop industry can be defined. The first level consists of those firms which purchase the sea scallops landed at New Bedford. These firms act primarily as shipping agents which supply the firms of the second level with raw materials which they sell fresh or, in rare cases, process into finished products.

In 1970 and 1971, the buyers' side of level one was essentially a duopsony, that is, there existed two large buyers which purchased approximately 90 percent of the New Bedford landings. In 1972 and 1973, two additional buyers entered the market, one of which is a fishermen's cooperative. In 1973, two of the firms purchased 30 percent each and the other two firms each purchased approximately 20 percent of the New Bedford landings.

The four first level firms which purchased almost all of the New Bedford landing of sea scallops in 1978 are similar in size and function. Each firm essentially purchases whole, fresh, finfish, and fresh sea scallops from vessels landing in New Bedford. The processing plants of each firm are located on the water, and each has dockside facilities so that fresh finfish and shellfish are received at the plants directly off the vessels. The firms then ship the sea scallops as received and they fillet the whole fresh finfish and either ship them fresh or freeze them. Each firm transports its sales by truck.

These firms deal heavily in sea scallops. During 1970-78, 50 percent to 70 percent of the value of fish and shellfish purchased by each firm annually was accounted for by sea scallops. Each firm is an independent corporation and is not in any way affiliated with any other seafood firm.

The buyers ship a substantial portion of their sea scallops in the same form as they are received ex-vessel—fresh and packed in bags of 40 pounds each—to the large second level seafood processing firms in the New Jersey, Pennsylvania, and Boston areas. Those sea scallops that are not sold fresh are washed, packed in 5-pound cartons, frozen, and shipped out in that form. After they are received by the second level processing firms, most of the fresh sea scallops are repacked and distributed fresh to retail outlets.

The ex-vessel prices of virtually all sea scallops landed in North America are based upon the auction prices set in New Bedford, Mass. Sea scallops landed elsewhere in the United States vary only slightly from the posted New Bedford price. Scallops landed in Canada are generally a few cents per pound cheaper than the New Bedford price. Prices at New Bedford vary widely from day to day. In general, the greater the quantity landed in New Bedford the lower the price.

Despite the fact that U.S. consumption of sea scallops has doubled in the past 5 years, ex-vessel prices to fishermen have risen more than 55 percent, as shown in the following tabulation:

	Index of ex-vessel prices of sea scallops (1967=100)
1974	200.5
1975	239.4
1976	247.2
1977	216.0
1978 1/	312.6

1/ Estimated by the U.S. Department of Commerce.

Average U.S. ex-vessel prices, by months for the years 1974-78 are shown in table 53.

While virtually all U.S. landed scallops are sold fresh, 90 percent of the scallops imported from Canada are frozen. Fresh scallops command a higher price in the market. This is reflected in table 54, which shows wholesale prices at New York for U.S. produced scallops and scallops imported from Canada. From 1974 to 1978, in 6 months out of 10, U.S. produced scallops were more expensive than Canadian scallops. The wholesale prices of scallops imported from Canada exceeded the prices of U.S. produced scallops during the summer months, probably because a larger share of the scallops imported from Canada during these months are fresh.

The University of Massachusetts conducted a study in 1978 to evaluate the impact of (1) U.S. sea scallop landings and (2) imports of sea scallops from Canada to the United States upon U.S. fishermen's incomes. 1/ According to this study, annual fluctuations in U.S. landings seem to reflect changes in abundance rather than fishing effort.

Professor Storey, one of the authors of the University of Massachusetts study, has informed the Commission's staff that the report's preliminary finding, that the demand for sea scallops is fairly inelastic is no longer valid. These findings were based on 1976 data. Prices increased over 50 percent in the past 5 years, while demand has quadrupled, indicating an unexpected shift in demand for sea scallops by the consumer.

The report's analysis of the impact of U.S. sea scallop landings and imports of sea scallops from Canada to the United States upon U.S. sea scallop prices, however, according to Storey, is still valid. The report states that ". . . landings appear to have a greater immediate impact on ex-vessel prices

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1/ David A. Storey and Cleve E. Willis, Econometric Analysis of American Sea Scallop Markets, submitted to the New England Regional Fishery Management Council, February 1978.

Table 53.-- Sea scallops: Weighted average ex-vessel prices at New Bedford, Mass., by months, 1974-78

(Per pound)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1974	$1.88	$1.81	$1.87	$1.55	$1.37	$1.46	$1.40	$1.53	$1.50	$1.49	$1.49	$1.52
1975	1.57	1.71	1.62	1.72	1.62	1.72	1.78	1.91	2.00	2.32	2.36	2.29
1976	2.45	2.43	2.39	2.10	1.87	1.87	1.54	1.38	1.56	2.00	2.00	1.75
1977	1.94	1.73	1.66	1.48	1.39	1.36	1.42	1.63	1.76	1.98	2.02	2.07
1978	2.48	2.17	2.16	1.96	1.94	2.45	2.72	2.53	3.06	3.18	3.08	3.21

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 54.--Sea scallops: Wholesale prices at New York for U.S.-produced and Canadian scallops, by months, 1974-78

(Per pound)

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
United States: 1/												
1974	$2.28	$2.18	$1.21	$2.09	$1.72	$1.78	$1.72	$1.78	$1.84	$1.78	$1.78	$1.76
1975	1.86	1.99	1.99	2.09	1.96	2.03	2.24	2.28	2.29	2.55	2.69	2.72
1976	2.89	2.85	2.79	2.64	2.19	2.20	1.89	1.78	1.97	2.32	2.33	2.15
1977	2.34	2.17	2.04	1.92	1.72	1.70	1.72	1.98	2.04	2.28	2.42	2.46
1978	2.62	2.64	2.48	3.37	2.24	2.64	3.04	2.90	3.43	3.53	3.44	2/
Canada: 3/												
1974	2.03	2.04	1.95	1.90	1.84	1.84	1.77	1.66	1.70	1.76	1.75	1.75
1975	1.74	1.78	1.82	1.89	2.02	2.02	2.18	2.27	2.42	2.62	2.79	2.84
1976	2.92	2.95	2.85	2.74	2.46	2.51	2.22	1.98	2.16	2.29	2.19	1.98
1977	1.94	2.02	1.91	1.88	1.81	1.68	1.69	1.87	2.04	2.24	2.39	2.42
1978	2.55	2.52	2.25	2.29	2.26	2.79	3.54	3.34	3.35	3.48	3.51	2/

1/ Ninety percent fresh.
2/ Not available.
3/ Ninety percent frozen.

Source: Compiled from official statistics of the U.S. Department of Commerce.

than imports." An increase of 100,000 pounds in U.S. landings and an increase of 100,000 pounds in imports from Canada, this study continues, are estimated to lead to a 16 cents per pound and an 11 cents per pound reduction in ex-vessel prices, respectively. Not only are the fluctuations in ex-vessel prices attributable to changes in landings of greater magnitude, they also change directions more often. According to this study, at the ex-vessel level landings fluctuations accounted for fluctuations in price which ranged from a reduction of 16 cents per pound to an increase of over 9 cents per pound. On the other hand, fluctuations because of imports ranged from a maximum reduction of 6 cents per pound to less than a 4 cent increase per pound (table 55).

Boat owners, fishermen's associations, the NMFS, and processors have informed the Commission's staff that a rise in the tariff of 1.08 percent of f.o.b. price, the amount of the countervailable bounties or grants, would have no effect upon the scallop markets.

According to Professor Dirlam, however, there is no question that the increases in Canadian imports have replaced U.S. landings of scallops in earlier years, and that the increases resulted in vessels and fishermen leaving the industry. The recovery in the U.S. scallop fishery during the past 5 years, however, Professor Dirlam continues, indicates that it is possible for U.S. harvests to recover, and for operations to be profitable even when imports still account for more than half of U.S. supply. 1/

1/ Joel B. Dirlam, Canadian Trade Practices and Policies Relative to Fish Commodities, U.S. Department of Commerce contract No. 7-35365, July 1978.

Table 55.--Sea scallops: Predicted marginal changes in ex-vessel price levels resulting from changes in U.S. landings and imports from Canada, 1953-76

(In Cents per pound)

Year	Changes attributable to U.S. landings fluctuations	Changes attributable to fluctuations in imports from Canada
1953	-7.82	-.31
1954	9.39	-.49
1955	-7.05	.48
1956	3.23	-.65
1957	-1.45	-1.29
1958	3.16	.09
1959	-8.89	-.97
1960	-3.06	-3.36
1961	-1.35	-2.42
1962	4.43	-3.07
1963	7.36	-2.03
1964	[illegible]	-2.50
1965	3.94	.23
1966	7.41	-1.39
1967	8.99	3.78
1968	-2.86	-.05
1969	7.31	.20
1970	2.44	1.40
1971	.69	1.53
1972	-.69	2.22
1973	.87	-2.56
1974	-1.13	-1.65
1975	-5.19	-3.12
1976	-16.07	-6.08

Source: David A. Storey and Cleve E. Willis, Econometric Analysis of American Sea Scallop Markets, submitted to the New England Regional Fishery Management Council, February 1978.

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APPENDIX A

U.S. DEPARTMENT OF THE TREASURY'S LETTER TO THE U.S. INTERNATIONAL TRADE COMMISSION ADVISING THE COMMISSION OF ITS COUNTERVAILING DUTY DETERMINATION

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[redacted]

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

JAN 5 1979

Dear Mr. Chairman:

In accordance with section 303(b) of the Tariff Act of 1930, as amended, you are hereby advised that a bounty or grant is being paid with respect to certain fish imported from Canada and entered under TSUS item numbers 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520 and 114.4537, which merchandise from said country is accorded duty-free treatment.

The U.S. Customs Service will make available to the U.S. International Trade Commission as promptly as possible its files on the instant bounties being paid or bestowed for the Commission's use in the investigation as to whether an industry in the United States is being, or likely to be, injured or is prevented from being established, by reason of the importation of this merchandise into the United States.

In this connection, your attention is drawn to the statement on page 9 of the attached notice indicating the Treasury's belief that it is appropriate to waive countervailing duties, should it then or subsequently have the authority to do so and the preconditions then extant for a waiver are met, in the event that the Commission's decision is affirmative. On the basis of certain actions taken by the Government of Canada, the Treasury is waiving countervailing duties on imports of certain dutiable fish from Canada which were the object of a parallel countervailing duty investigation. We are of the opinion that these actions provide a basis to waive for certain duty-free fish.

Since some of the data in this file is regarded by the Customs Service to be of a confidential nature, it is requested that the U.S. International Trade Commission consider all information therein contained for the official use of the International Trade Commission only, and not to be disclosed to others without prior clearance from Customs.

Sincerely,

Robert H. Mundheim

DOCKET NUMBER
#553
Secretary
Int'l Trade Commission

'79 JAN 9 AM 10 13

The Honorable
Joseph O. Parker
Chairman, U.S. International
Trade Commission
Washington, D. C. 20436

Enclosure

APPENDIX B

U.S. INTERNATIONAL TRADE COMMISSION'S NOTICE OF INVESTIGATION AND HEARING AS PUBLISHED IN THE *FEDERAL REGISTER*

United States International Trade Commission
Washington, D.C.

CERTAIN FISH AND CERTAIN SHELLFISH FROM CANADA
[303-TA-9]

Notice of Investigation and Hearing

Having received advice from the Department of the Treasury on January 9, 1979, that a bounty or grant is being paid with respect to certain fish and certain shellfish imported from Canada, provided for in items 110.1593, 110.1597, 110.4730, 110.4755, 110.4760, 110.4765, 114.4520, and 114.4537 of the Tariff Schedules of the United States (TSUS), which merchandise is accorded duty-free treatment, the United States International Trade Commission on January 18, 1979, instituted investigation No. 303-TA-9, under section 303(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(b)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing in connection with the investigation will be held in the Commission's Hearing Room, United States International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.s.t., on Tuesday, February 27, 1979. All persons shall have the right to appear by counsel or in person, to present evidence and be heard. Requests to appear at the public hearing shall be filed with the Secretary of the Commission at his office in Washington, D.C. not later than close of business February 23, 1979.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: January 19, 1979

APPENDIX C

PROBABLE ECONOMIC EFFECTS OF TARIFF CHANGES UNDER TITLE I AND TITLE V OF THE TRADE ACT OF 1974 FOR TRADE AGREEMENT DIGEST NOS. 10030, 10035, 10066, AND 11067, July 1975

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Library Cataloging Data

U.S. International Trade Commission.
Certain fish and certain shellfish
from Canada. Determination of no injury
or likelihood thereof in investigation
no.303-TA-9 under section 303 (b) of the
Tariff act of 1930, as amended, together
with the information obtained in the investigation. Washington, 1979.

7, A 95 p. illus. 28 cm. (USITC
Publication 966)

1. Shellfish. 2. Lobsters. 3. Scallops.
4. Fish--Tariff. 5. Fish trade--U.S. 6. Fish
trade--Canada. I. Title.